EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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AFGHANISTAN
Najibullah stays in control
Page 2

World News

Bush offers Noriega deal to quit and go into exile

US President George Bush offered General Manuel Antonio Noriega, Panama's military leader, a deal for relinquishing power in an effort to reach an "an honorable solution" to the country's political crisis.

The US said it would allow Gen Noriega, under indictment in America for drug trafficking, to go into exile in a country which does not have an extradition treaty with the US. Page 26

Menem confident

Carlos Menem, the opposition Peronist candidate, was confident of becoming Argentina's 46th president as 20m voters went to the polls although observers reported that the result may be close.

Candidate sought

Japan's ruling Liberal Democratic Party was set to start a fresh round of talks to find a prime minister to succeed Mr Noboru Takeshita, who has pledged to resign soon over his involvement in the Recruit scandal. Page 2

Soviet warning

Mr Eduard Shevardnadze, Soviet Foreign Minister, warned that the Soviet Union would halt destruction of its SS-23 intermediate-range nuclear weapons if Nato developed a new Lance missile. Page 2

Sihanouk appeal

Prince Norodom Sihanouk, the Cambodian resistance leader, urged China and Thailand to cut off military supplies to the Khmer Rouge guerrillas fighting the Vietnamese occupation of his country, to encourage a peaceful solution. Page 6

Sri Lanka killings

Eighteen Tamil guerrillas and 12 Indian soldiers were killed in a fierce battle in northern Sri Lanka when about 35 Liberation Tigers of Tamil Eelam rebels ambushed an Indian patrol at Nedunkerni in the Vavuniya district.

Quint released

Lebanese kidnappers released West German hostage Marcus Quint 10 days after he was seized near the southern town of Sidon.

US 'warming' move

President George Bush has bowed to environmentalist pressure in his own administration and Congress and agreed that the US should commit itself to work towards an international convention on global warming. Page 3

Bangladesh storm

Eight people were killed and at least 100 injured in a rainstorm that flattened hundreds of thatched homes, uprooted trees and disrupted power supplies, across Bangladesh.

Baltic pledge

Deputies from the Baltic republics pledged to press their demand for a greater say over their own affairs at this month's inaugural session of the new Soviet parliament.

UK low pay report

The UK Low Pay Unit reports that 9.4m people have incomes at or below the level at which they are entitled to receive supplementary benefit from the government. Page 8

Beirut man missing

The whereabouts remained unknown of former Battle of Britain fighter pilot, Jack Mann, who disappeared in Moslem West Beirut while going to the bank. Page 2

Rose blighted

Leading British actors supported an all-night vigil at the site of London's 16th century Rose Theatre where Shakespeare is thought to have performed where developers were today due to begin work on an office block. Page 26

Kerry's gold

Mr Kerry Packer, the media and resources owner and investor, remains Australia's richest man by far, with an estimated minimum net worth of A$1.8bn ($1.4bn). Page 3

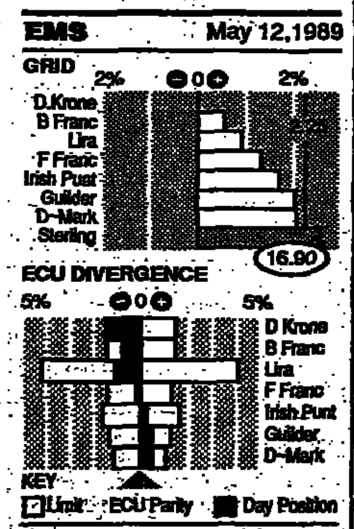
Business Summary

Rome allows $1.1bn tax break for Montedison

The Italian Government approved a controversial decree that will provide special tax breaks on L1,500bn ($1.1bn) of capital gains tax which otherwise would have to be paid by Mr Raul Gardini's Ferruzzi-Montedison chemicals group.

The decree was specially drafted by the Government last year after Mr Gardini let it be known that unless he was allowed to defer payment of the tax he would not agree to transfer most of the chemicals, fertilisers, fibres and elastomers assets of Montedison to Enimont, a joint venture company with the state-owned Enichem. Page 2

EUROPEAN Monetary System: A relatively quiet week for the EMS left currencies little changed. The dollar was strong, which helped keep pressure off the EMS, because although the D-Mark remained the strongest member of the system it was not in demand. Any gradual trend for the D-Mark to improve was mainly a matter of speculation that official West German interest rates may rise at this Thursday's Bundesbank council meeting, but this did not cause any significant problems for the weakest placed Danish krone. Currencies, page 38



STATOIL, Norway's state oil company, lifted first-quarter profits before extraordinary items to NKr1.55bn ($224m) from NKr1.44bn, but is transferring NKr494m to a currency exchange risk fund, leaving profits of NKr1.05bn this time. Page 29

ISRAEL's banks have agreed to make early and substantial cuts in short-term interest rates to avert a threat by the central bank, the Bank of Israel, to use its powers to impose a cut in the cost of credit. Page 3

SPANISH Government announced a Pta 115bn ($974m) cut in public spending this year and sharply increased the existing withholding tax on corporate profits. Page 2

PLANS to create a commercial joint venture supplying investment intermediaries with market prices and other company information have been formally endorsed by the Committee of Stock Exchanges of the EC. Page 29

EGYPT will raise interest rates from today by up to 3 percentage points in a clear sign that it is further preparing the ground for an agreement with the International Monetary Fund. Higher interest rates are one of the Fund's key demands. Page 3

MULTI-Purpose Holdings: battle for the diversified Malaysian Chinese investment group took a surprise turn when receivers holding a controlling 29 per cent stake said they would make "a positive recommendation" to sell the stake. Page 29

RIUNION Adriatica di Sicurta: parent company of Italy's second biggest insurer saw profits rise by 19.1 per cent to L61bn ($26.5m). Page 29

GROUPE Bruxelles Lambert, Belgian holding company with interests in financial services and energy, reported a slight recovery in profits and an increased dividend. Page 29

UK GILT-EDGED securities, government bonds, market moved ahead on Friday but most of the gains were made during the afternoon following the release in the US of the producer price figures. Page 30

NORANDA, diversified Canadian resource group, reported a 23 per cent advance in first quarter income, despite a string of production problems which affected its minerals unit. Page 29

Hungary halts work on controversial Danube dam

By Judy Dempsey in Vienna

EAST EUROPEAN environmentalists won a big victory at the weekend when the Hungarian authorities decided to suspend all work on a Czechoslovak-Hungarian dam.

However, the move is likely to lead to renewed tension between Budapest and Prague, with the Czechoslovak authorities insisting on compensation for breach of the 1977 treaty which initiated the project.

The controversial dam at Nagymaros is twinned with another at Gabcikovo in Czechoslovakia. The Czechoslovak Government fears that if the Hungarians scrap the project altogether it could lead to a reduction in energy output in the region.

Mr Miklos Nemeth, the Hungarian Prime Minister, who pushed for the suspension, is due to visit Prague later this week to explain the Hungarian position.

He is also expected to visit Austria, which has given the project huge financial backing.

The decision to review the giant dam project at Nagymaros on the Hungarian-Slovak border, was announced by Mr Peter Medgyessy, the deputy Prime Minister.

It followed a session of the Hungarian Parliament in which Mr Nemeth described the project as a "fiasco."

The dam is expected to be scrapped completely when Parliament meets later this month to debate the issue.

The Hungarian authorities' change of heart follows years of persistent pressure by Hungarian environmentalists, particularly the Duna Koer - Danube Circle. "The struggle is not over" said Mr Janos Vargha, a biologist and founder member of the Duna Koer. So far, 150,000 Hungarians had signed a petition calling for a referendum on the issue.

The project involves re-routing the river Danube so as to construct two giant hydro-electrical power stations, one at Nagymaros, the other at Gabcikovo in Slovakia.

The suspension of the Nagymaros dam project will almost certainly increase the confi

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Bush shifts ground, Page 3
UN meeting, Page 3

Thousands join Peking protest on eve of Gorbachev summit

By Peter Ellingsen, Colina Macdougall and Quentin Peel in Peking

THE CHINESE Communist Party leadership was last night urgently looking for a way to defuse a hunger strike by thousands of Peking students, demonstrating in the wake of today's ceremonial welcome for Soviet President Mr Mikhail Gorbachev.

Waves of students, reinforced from cities across China, poured into the vast Tiananmen Square in the heart of Peking as the evening wore on. At one stage there were as many as 100,000 students and sympathetic onlookers milling in the square, although the crowd thinned in the early hours of this morning.

Chanting demonstrators extended across the centre of the square to confront a single line of police on the steps of the Great Hall of the People, where Mr Gorbachev is due to be greeted this afternoon by President Yang Shankun.

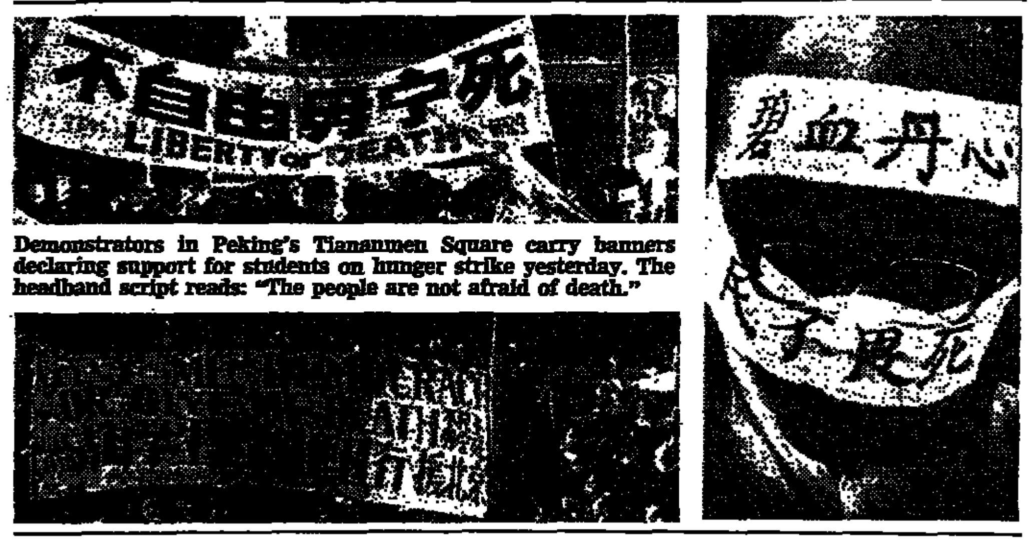
Reinforcements of police gathered on the far side of the square, raising the possibility of a final effort to remove the protestors by force.

But a passionate speech by a student leader in the early hours urged the crowd to stay there until all their demands for a genuine dialogue with the leadership were met.

"The government does not have enough power to get us out," he bellowed through a loud-hailer, to cheers from the crowd. "This is a great event in Chinese history.

"We want to see Zhia (Zhao Ziyang, the Communist Party leader) at least. But we want more real dialogue, not just talks. It is not enough if Zhia just comes to say hello."

The historic restoration of normal relations between the Communist superpowers of China and the Soviet Union, after 30 years of ideological confrontation, looked set to be thrown into confusion by the extraordinary action of the students who have frequently cited Mr Gorbachev's reforms to justify their own demands for democracy and a free press.



Demonstrators in Peking's Tiananmen Square carry banners declaring support for students on hunger strike yesterday. The headband script reads: "The people are not afraid of death."

The protestors, sporting white headbands to mark their hunger strike, attracted tens of thousands of enthusiastic, or simply astonished, onlookers to their sit-down demonstration in the square. Their mood was conveyed by a poster which read: "Mother, we like your food, but we stop eating for democracy."

Their protest, launched on Saturday after more than a month of student unrest in the Chinese capital, has caused acute embarrassment, not only to the divided Chinese leadership, but also to the Soviet Government seeking a long-awaited reconciliation with its turbulent neighbour.

The Chinese authorities began their urgent efforts to disband the students yesterday afternoon. The Dialogue Committee of student leaders, set up to seek talks with the Communist Party leadership, was summoned to see Yan Mingfu, head of the Communist Party-affiliated United Front organisation, and Li Tieying, chairman of the state Education Commission. The meeting broke up in disarray when the officials said the talks could not be broadcast live.

Back in the huge expanse of Tiananmen Square, the line of official flagpoles all ready to fly the state flags of the USSR and the People's Republic of China for today's great celebrations, has been usurped by the fluttering emblems of the Peking students' colleges, and a black-on-yellow banner proclaiming simply: "Hunger Strike." Every hour they changed a sign spelling out the length the protest has lasted.

At the Soviet headquarters preparing for Mr Gorbachev's arrival, the protest only brought confusion and deep embarrassment. The whole Sino-Soviet rapprochement has been largely driven by Soviet enthusiasm, and it now appeared in danger of being undermined by a protest partly inspired by Soviet glasnost and perestroika.

The students have submitted a petition to the Soviet embassy to meet Mr Gorbachev. It was swiftly passed back to the Chinese authorities for consultation.

Soviet officials flatly refused to give any real reaction to the events, which they insisted are a domestic issue. "We should not teach one another, but we should learn from one another – even from one another's mistakes," Mr Nikolai Efimov, deputy head of the Soviet Communist Party's ideology department, said in the nearest thing to a comment.

A more candid response came from Soviet actress Sofia Chiaureli, who likened the student demonstration to the peaceful nationalist protest in her native Georgia last month – brutally broken up by Soviet troops, causing 20 deaths. "I saw what was happening in Peking square," she said. "The square in Tbilisi came to mind. The same thing was happening there."

Cambodian stumbling block, Page 6; A door for Mr Gorbachev, Page 24

Shamir wins approval for West Bank poll

By Hugh Carnegy in Jerusalem

ISRAEL'S coalition government yesterday approved by 20 votes to six a peace initiative proposed by Mr Yitzhak Shamir, the Prime Minister, aimed at ending the 17-month-old Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip.

The endorsement by a clear majority of ministers from both Mr Shamir's right-wing Likud bloc and the left-of-centre Labour Party will strengthen the prime minister's efforts to win international backing for the proposals.

Their main feature is a plan to hold elections in the occupied territories to elect a local Palestinian leadership which would negotiate an interim and, eventually, final settlement with Israel.

Summing up his offer to the Palestinians, Mr Shamir said: "One hand holds the stick, the other the peace initiative."

The plan deliberately left several key issues unspecified, reflecting important differences still to be resolved between Labour and Likud, and between Mr Shamir and the US, which backs the election idea. The proposals also fall short of conditions demanded by both local Palestinians and the Palestine Liberation Organisation (PLO) before they will consent to elections.

The US is pressing both sides to reach common ground on the issue. Yesterday, a senior State Department delegation led by Mr Dennis Ross was in Jerusalem on the first leg of a shuttle between Israel, Jordan and Egypt. This week, Mr Moshe Arens, the Likud foreign minister, and Mr Yitzhak Rabin, the Labour defence minister, fly to the US to promote Mr Shamir's plan.

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European companies combine to secure data

By Alan Cane in London

AN ORGANISATION to tackle the growing problem of security in commercial data processing systems has been formed by a number of leading companies in Europe.

The European Security Forum is led by Coopers & Lybrand, the international management consultants. Among the 28 founder members are Asea Brown Boveri, British Airways, British Telecom, Fiat, Ford of Europe, International Business Machines, SKF and Volvo.

Mr Marco Kapp, forum director, said that organisations could no longer remain in isolation where security was concerned: "Security solutions need to be developed quickly which can be rapidly and widely adopted by leading organisations and their trading partners."

Each of the companies has paid an annual membership fee of £12,500 ($20.7500). Mr Alan Stanley of C&L in the UK, who helped to plan the forum, said he hopes that as new members join, the annual budget will eventually exceed £1m. "This will not be a talking shop," he said. "A budget of that scale will produce the practical solutions that can create change."

The creation of the forum has been prompted by an increasing awareness of the extent to which companies are dependent on computer systems connected in networks and the risks they run from accidental damage to the network, errors on the part of computer operators or malicious disruption.

A two-year £1m study by C&L for the European Commission conclusively showed that many organisations rely on their computer networks to such an extent that a loss of service could lead to financial

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Crédit Lyonnais in L340bn deal for Credito Bergamasco

By Alan Friedman in Milan

CREDIT LYONNAIS, the second biggest French bank, is paying L340bn ($243m) to buy effective control of Credito Bergamasco, a large northern Italian private sector bank.

The deal is one of the most important cross-border banking acquisitions in Europe and places a total value of L1,100bn on Credito Bergamasco.

The transaction is therefore larger than the 1986 takeover by West Germany's Deutsche Bank of Banca d'America e d'Italia (BAI), which was valued at $603m.

The valuation of Credito Bergamasco is equal to 16 times 1988 net earnings of L70bn.

J. Henry Schroder Wagg, the British merchant bank, first identified Bergamasco as a takeover target in January this year and recommended the deal to Credit Lyonnais in late February.

The deal calls for Credit Lyonnais to acquire 29.68 per cent of Bergamasco at a share price of L52,000, a 73 per cent premium on the average price of Bergamasco shares recently.

Credit Lyonnais defeated two Italian banks which were also interested in acquiring Bergamasco.

A significant feature of the deal is an accord between Credit Lyonnais and leading Bergamasco shareholders that an extraordinary meeting of shareholders is to be called to alter the bank's by-laws.

These regulations at present limit voting rights for any single investor to just 4 per cent of the bank's capital. This arrangement was negotiated by Senator Guido Rossi, a leading Italian corporate lawyer and legislator.

Bergamasco has 75 branches in Italy and also controls the 15-branch Banco San Marco in Venice. Bergamasco's total deposits amount to L2,800bn.

Its total assets last year were L4,900bn.

Credito Bergamasco's net equity amounts to L780bn, which means that the Lyonnais deal values the Italian bank at net equity plus 12 per cent of deposits, or in other words, at 41 per cent above its net equity.

The bulk of the Bergamasco shares are being acquired from Mr Ernesto Preatoni, an investor who has built up a 15 per cent share stake since last year, and from the Bergamo branch of the Vatican Curia, which owned 5 per cent of the bank.

Meanwhile, in a separate deal which is likely to be announced within the next few days, Credito Romagnolo, the second largest private sector bank in Italy, is to pay around L300bn to acquire 30 per cent of Banca Friuli, a wealthy bank in north eastern Italy.

The Friuli deal is part of Mr Carlo De Benedetti's drive to expand Romagnolo's interests.

Although Mr De Benedetti, the leading Italian industrialist, is a minority shareholder of Romagnolo, he holds effective control of the bank.

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THE MONDAY INTERVIEW

Mr Stuart Lipton, the chief executive of Stanhope, the UK property group, who delights in working on the grand scale, is involved in so many developments that he appears to be changing the face of London single-handed
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Corruption clash looms over Soviet prosecutors

By Bruce Clark in Moscow

A BITTER showdown is looming between conservative members of the Soviet establishment and two of the country's top court prosecutors who are apparently threatening to shed new light on the corrupt activities of senior public officials.

Supporters of Mr Nikolai Ivanov and Mr Telman Gdlyan see the lawyers' claims of malpractice in high places as a crucial test of will between an emerging caucus of radical politicians and the old-guard apparatchiks. Mr Gdlyan and Mr Ivanov worked for six years on unravelling the huge web of corruption that existed in the republic of Uzbekistan under the late President Brezhnev. Their work led last year to the prosecution of Mr Yuri Churbanov, Mr Brezhnev's son-in-law, who is serving a 12-year jail sentence.

Controversy reached a new height last Friday, however, when Mr Ivanov, employing the tone of a man who was almost past caring, committed a sensational act of lèse-majesté on Soviet television. He said that the name of Mr Yegor Ligachev, the hard-line Politburo member, had "appeared" (in what context he did not specify) in the course of a criminal investigation into corruption and Mafia-style practices in the Uzbek republic.

Mr Ivanov, a candidate in yesterday's run-off parliamentary elections, also referred by name to two ex-Politburo members and to a former head of the Supreme Court. And he made the grave allegation that "State policy now is aimed at curbing the fight against organised crime."

A woman emerging from a polling station in Moscow where one of the run-off contests is being held, yesterday described Mr Ivanov's outburst as a "rare act of civic courage". But the Praesidium of the Supreme Soviet, in a statement published yesterday, retaliated with a stinging attack on both Mr Ivanov and Mr Gdlyan for "attempting to disorient people" through "provocative statements".

Ligachev: name "appeared" during investigation

It also accused them of seeking to hamper the work of the special commission which is investigating them both because of purported "citizens' complaints" against them.

If anything, it is the case of Mr Gdlyan, who was elected to Parliament last March and belongs firmly in the radical camp, which arouses the strongest emotions. He became something of a public hero last year when he led the prosecution against Mr Churbanov.

But in the last month, the presidium of the Supreme Court – where he works as an investigator into major cases – has made a devastating attack on him. It has published, in heart-rending detail, the story of an old Estonian private businessman who died in jail after being convicted in 1983 on trumped-up charges of embezzlement and bribery. The prosecutor in the case, it notes, was none other than Mr Telman Gdlyan.

The unfortunate entrepreneur languished in jail for months before coming to trial, was forced to confess under duress and was barred "with an inhumanity foreign to the Soviet penal system" from visiting his wife as she was dying of cancer.

As told by the Supreme Court, it is a story of a man who suffered horribly for the crime of threatening established interests by being too competent and successful: a story that could not have been better calculated to discredit Mr Gdlyan in the eyes of his liberal allies. Supporters of Mr Gdlyan are convinced that he is the victim of a cynical smear campaign, launched because he was moving his searchlight from the villains of the Brezhnev era to people in high places today.

And yet the story has also troubled the liberal camp: if there is even a shred of truth in the allegations against Mr Gdlyan, does he belong in their ranks?

Between those liberals who say they will support Mr Gdlyan to the end, and those who are disturbed by the allegations against him, there is a third school of thought. This holds that even if Mr Gdlyan was at fault in the Estonian case, one should remember that there can scarcely be anyone who held public office in the Soviet Union in the Brezhnev era who has not made some compromises he would rather forget: let him who is without sin cast the first stone.

Moscow warns Nato on missiles

By David Goodhart in Bonn

MR Eduard Shevardnadze, the Soviet Foreign Minister, warned at the weekend that the Soviet Union would halt the destruction of its SS-23 intermediate-range nuclear weapons, agreed under the 1987 INF treaty, if Nato developed a new Lance missile with a range just under the 500km technically allowed for short-range weapons.

The threat to nullify the INF agreement, or to develop a new Soviet missile to counter a Lance 2, was made at the end of Mr Shevardnadze's 24-hour visit to Bonn.

His visit was mainly taken up with preparations for President Mikhail Gorbachev's visit next month.

Those preparations included a compromise deal over the "Berlin clause" in the agreements – from trade to cultural exchanges – which Mr Gorbachev will sign next month. The Soviet Union has always insisted that West Berlin be distinguished from West Germany in bilateral agreements, a view which the Bonn Government rejects.

The threat to withdraw from the INF agreement, following last week's offer unilaterally to withdraw 500 short-range nuclear weapons, is clearly designed to influence the modernisation debate in Nato.

Mr Shevardnadze also repeated his Government's readiness to negotiate over all weapons and its intention to reach equal levels in conventional arms, which he said would take "between five and seven years" to complete.

Lionel Barber in Washington adds: The Bush administration yesterday brushed aside Mr Shevardnadze's threat, describing it as an attempt to influence public opinion in Western Europe.

The latest Soviet moves have encouraged criticism in the US that the administration is not taking the propaganda offensive.

While President Bush's foreign policy speech on Friday was generally favourably received, some said it did not deal with specifics or amount to a blueprint for Nato.

Mr Bush's "Open Skies" proposal – under which the superpowers would allow surveillance flights – got a tepid response. Experts said its military value was limited because of the use of spy satellites.

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Rebels stand in run-off elections

By Bruce Clark

A CONTROVERSIAL anti-Stalinist playwright, a respected Armenian poetess and an engineer from Leningrad who openly renounces Communism were among the 1,216 candidates standing in run-off parliamentary elections in 199 places around the Soviet Union yesterday.

Almost all the elections are being held in places where no candidate received more than 50 per cent in the historic March 26 election – even where only one or two candidates were standing.

These places include Leningrad, where the party chief, Mr Yuri Solovyev, was routed (by means of spoiled ballot papers) in March despite being unopposed, and Kiev, where old-guard city politicians received a drubbing.

Three of yesterday's polls were being held in Armenia in districts where – because of boycott calls from nationalist leaders – fewer than 50 per cent of the electorate voted in March.

This time, the list of candidates includes moderate nationalists like the writer Ms Silva Kaputikian, and the authorities are hoping for a better turnout.

Mr Mikhail Shatrov, the playwright, is one of seven candidates in a middle-class suburb of Moscow. In Leningrad, no fewer than 34 candidates are competing to represent the city, many of them liberals whose efforts are doomed to cancel each other out.

Spain to cut public spending

By Peter Bruce in Madrid

AFTER MONTHS of international and domestic pressure to drain liquidity from its economy without once again resorting to purely monetary measures, the Spanish government has announced a Pta115bn (£580m) cut in public spending this year and sharply increased the withholding tax on corporate profits.

Both moves, which will take Pta250bn out of circulation this year, mark the first time in at least 12 months that the government, faced with rising inflation and a rapidly deteriorating current account deficit, has tampered with fiscal policy to try to cool the economy.

Announcing the cuts at the weekend, Mr Carlos Solchaga, the Finance Minister, conceded that the action had been made necessary by the relatively poor results of a tough credit squeeze imposed at the end of January by the Bank of Spain. The credit measures were designed to take Pta400bn out of circulation but have driven up interest rates and led to a 6 per cent increase in the value of the peseta against the D-Mark since the beginning of the year.

The Government has recently increased its forecast current account deficit for this year from $7bn to $8bn, nearly four times greater than last year's, as falling tourist revenues and the strong peseta compound the effects of a massive flow of imports.

Credit to the private sector grew 19.6 per cent in April and is now growing at 17.9 per cent a year, and the broad money supply measure, though it improved in March, is growing at 12.9 per cent, nearly five points ahead of target. Inflation is running at 6 per cent and the Government is also under pressure to raise the price of petrol.

The budget cuts announced at the weekend are across the board, with most ministries having to make small sacrifices. New tax regulations for companies mean that instead of making a one-off payment in October of 30 per cent of their estimated annual tax obligation, payments will be staggered.

A payment of 10 per cent now falls due in July, another of 30 per cent in October and a further one of 15 per cent in December – meaning that corporate withholding tax rises 83 per cent.

Mr Solchaga estimated that this would take Pta135bn out of circulation.

Italy approves Montedison tax break

By Alan Friedman in Venice

THE ITALIAN government has approved a decree law that will provide special tax breaks on L1,500bn (£647m) of capital gains tax that otherwise would have to be paid by Mr Raul Gardini's Ferruzzi-Montedison chemicals group.

The decree was specially-drafted by the Italian government last year after Mr Gardini let it be known that unless he was allowed to defer payment of the tax, he would not agree to transfer most of the chemicals, fertilisers, fibres and elastomers assets of Montesidon to Enimont, a joint venture with the state-owned Enichem.

Under the terms of the decree, Mr Gardini will be able to put off for years the payment of 75 per cent of the L1,500bn of capital gains taxes now falling due. The remainder may be stretched out over five years.

Opposition politicians in Rome have assailed the Enimont decree as a "colossal gift" to Mr Gardini.

They have called on the Prime Minister, Mr Ciriaco De Mita, to refuse the special tax break.

Sir Leon Brittan, the European competition commissioner, is believed to be examining the case in order to ascertain whether it constitutes special aid to Mr Gardini that would distort competition and thus violate the Treaty of Rome.

Craxi offers coded choices

By John Wyles in Rome

THE SIGNAL, flashed through the murk of Italian politics from the Republican frigate at the end of last week, asked "Shall we sink the government?" The answer, filtered back through the fog at the weekend from Captain Craxi aboard the Socialist destroyer, seemed to be: "Not yet".

Thus, in the ever-inventive Italian political scenario, party congress has been speaking unto party congress. Mr Giorgio La Malfa, whose Republicans are one of the minnows in the five-party coalition, pasted the government led by Christian Democrat, Mr Ciriaco de Mita, in the speech opening the Congress last Thursday and sprinkled some doubt over his party's future participation.

The following day, the Republican president, Mr Bruno Visentini, went even further, suggesting that the DC was no longer fit to lead and that early elections might be needed.

In a prolix 2¾-hour opening address on Saturday, Mr Craxi put a suitably coded choice before his delegates.

On the one hand, he said his party could "close in on itself in a position of total distance" by insisting that it was no longer prepared to serve under Mr de Mita. Or it could make "an umpteenth effort in clarification" to return the government "to a politically coherent course".

Mr Craxi wants to win votes on June 18 and clearly doubts that he can do so by stripping Mr Benita of his government braid beforehand. Better to campaign on the "confusion" and failures of the DC-led coalition, even if it does include some of his senior colleagues in key ministries such as the Treasury.

He joined Mr La Malfa in calling for a "verifica" which means that the coalition party leaders have to attempt, in solemn summit, to redefine policies and to inject the government with a new dose of political will.

The Socialist leader's speech sought to set the tone of the European election campaign by nominating drugs and the environment as high priorities for further action and by singling out the Italian Communists as his prime target.

Despite some organisational disasters, the choice of a former engineering factory in Milan as the congress venue appears to be a triumph. His 5,000-strong audience sat beneath overhead crane tracks bedecked with the flags of the European Community nations in a setting which impressively evoked the party's industrial roots rather than the yuppie tastes of some of its leaders.

Fears grow for Briton missing in Beirut

STILL no word had come last night of the whereabouts of the former Battle of Britain fighter pilot, Mr Jack Mann, 74, who disappeared in Moslem West Beirut on Saturday, Lara Marlowe writes from Beirut.

A group calling itself the "Armed Struggle Cells" issued a communiqué demanding the release of "comrades accused of the assassination of Naji Al-Ali". Mr Ali, a Palestinian political cartoonist, was fatally wounded by gunmen in London in 1987.

In Zahrani, seven miles south of Sidon, Mr Markus Quint, 24, a West German kidnapped on May 4, was freed at the local headquarters of the Shia Amal militia yesterday. It was not known who had abducted him or how his release had been obtained.

'Greenies' gain in Tasmania

Australia's "Greenie" environmentalists look like doubling their representation and holding the balance of power in Tasmania's parliament after a strong showing in Saturday's state election, Chris Sherwell reports from Sydney.

The result was a setback for the Liberal government headed by Premier Robin Gray, and for the opposition Labor Party. Both parties are now assessing if they should strengthen their own environmental platforms.

Results so far indicate the Liberals will have 17 seats in the 35-seat lower house and Labor 13, while the environmentalist independents should have four. One seat remains undecided.

Baltic call for 'independence'

Baltic nationalists issued a call yesterday for "economic independence" from Moscow by next year, AP reports from Tallinn. Sixty-one of the Baltics' 89 deputies in the new Congress of People's Deputies parliament also hammered out the legislative body's first platform, asserting the right of the country's 15 republics to set their own policies, and denouncing several Kremlin decrees.

The first assembly of grassroots People's Fronts from the Soviet republics of Estonia, Latvia and Lithuania stopped short of demanding overt independence for their once-sovereign homelands. More than 400 activists called on Moscow not to "obstruct the restoration of state sovereignty" in their homelands.

Official US visit for Occhetto

Mr Achille Occhetto's pilgrimage in search of legitimacy for Western Europe's largest Communist Party will establish him today as the first Italian Communist leader to pay an official visit to the US, John Wyles writes from Rome.

Since his election to the leadership last summer, Mr Occhetto has been bent on persuading the public that his party (PCI) belongs to the mainstream western European left as a social democratic movement.

The search goes on for a new veteran to lead Japan

Stefan Wagstyl on the hunt for a successor to Takeshita

JAPAN'S ruling Liberal Democratic Party was today set to start a fresh round of negotiations to find a prime minister to succeed Mr Noboru Takeshita, who has pledged to resign soon over his involvement in the Recruit scandal.

The party has abandoned its attempts to persuade Mr Masayoshi Ito, a 75-year-old elder statesman, to take the job after the failure of last-ditch talks on Saturday.

The campaign to find an alternative to Mr Ito is likely to take at least a week, possibly two. Party leaders will face immense difficulties choosing someone who is acceptable to the LDP's constituent factions and who can be portrayed as a clean politician with no links to the Recruit affair.

The scandal, which involves the distribution of cash and cut-price stocks to senior politicians and other influential people, has touched virtually the whole of the LDP's current leadership as well as their immediate potential successors.

Turning to a junior politician would be politically unacceptable in a country where seniority is highly valued – especially for those senior politicians who still entertain hopes of holding office. So the party is hunting among the ranks of its elder statesmen for a suitable candidate.

Mr Ito seemed to fit the bill because of his experience in office and his clean reputation. However, he rejected the offer partly because of illness and partly because his demands for a wholesale clean-up of LDP politics were unacceptable to Mr Takeshita, Mr Shintaro Abe, the LDP secretary general and other leaders.

The party's rank-and-file suggested several possible alternatives to Mr Ito. They are Mr Takeo Fukuda, a former prime minister, Mr Shin Kanemaru, a former deputy prime minister, Mr Michita Sakata, a former speaker of the Diet's (Parliament's) lower house, Mr Toshio Komoto, a former head of the Economic Planning Agency, and Mr Masaharu Gotoda, a former Chief Cabinet Secretary.

All, however, are over 70. Mr Fukuda is 84 and has already announced his intended retirement from the Diet at the next election. Mr Kanemaru, while a strong leader, is Mr Takeshita's father-in-law, so would not represent a clean break with the Takeshita regime. Mr Sakata has held several cabinet posts in a long career, but he is an independent.

Mr Komoto leads a faction but he is compromised by the financial collapse of his family company, Sanko Steamship. Mr Gotoda used to head the National Police Agency and has an honest reputation but he was a close ally of Mr Kakuei Tanaka, the former prime minister who was involved in the Lockheed scandal. Inevitably the choice will involve horse-trading among the four largest factions – headed by Mr Takeshita, Mr Abe, Mr Yasuhiro Nakasone, the former prime minister, and Mr Kiichi Miyazawa, the former finance minister.

Mr Nakasone's faction is compromised by the fact that its leader has resisted pressure from other senior politicians to give evidence before the Diet about his involvement in the Recruit scandal, which related to events which mostly took place while Mr Nakasone was in office.

Mr Takeshita's stock meanwhile has been rising from the nadir reached when he announced three weeks ago that he would resign once the 1989-90 budget was passed. In contrast to Mr Nakasone, he has admitted political responsibility for the scandal and paid the price. After a week or two he might be in a position to claim that he has made every effort to find a successor.

Under those circumstances, say some political analysts, Mr Takeshita might even be able to withdraw from his promise to resign. He might argue that it was against the national interest that Japan should be without a prime minister.

SHIPPING REPORT

Quiet week for tankers

By Rachel Johnson

THE tanker market has had an uneventful week apart from continuing buoyancy in the period sections, which continued to make spot market rates appear low, E A Gibson shipbrokers reported.

Medium-sized vessels in the Middle East Gulf continued to outperform the larger units. The 130,000-ton cargoes to the West were achieving rates of New World Scale 75 for discharge to the UK and the Continent, while 80,000-tonners were asking for NWS 140 for the East.

'Kabul Ox' turns faces red in Washington

Najibullah has defeated all attempts to topple his regime, **Christina Lamb** writes

A YEAR ago today, as the first Soviet tank rolled out of Afghanistan, US officials were predicting the imminent fall of Kabul. After nine years, 115,000 Soviet troops equipped with the latest weaponry had failed to tame a bunch of untrained men from the hills.

More than $2bn (£1.1bn) in US aid had transformed peasants with ancient rifles into the world's best-equipped guerrilla force able to humiliate a superpower. Morale among resistance ranks was high. Today, the smile is on the face of President Najibullah, whom no one thought could survive without the Russians. Nicknamed "The Ox", his stubbornness has defeated all attempts to remove him.

Instead, he has reconciled the two factions of his divided People's Democratic party (PDPA) and wooed middle-class support by playing up the fundamentalism of the guerrillas while himself becoming more Islamic. What, on taking office, Mr Mikhail Gorbachev, the Soviet leader, described as Moscow's bleeding wound, has become the cause of a red face for US policymakers.

"The Mujahideen are going nowhere fast, militarily and politically," says a Western diplomat in Islamabad. If anything, the battlefield has become more bloody with the Soviet departure. Najibullah's régime still controls 25 of 31 provincial capitals. Far from defecting, the 60,000-strong Afghan army is fighting hard.

The much-heralded attack on Jalalabad, now in its third month, has disproved Mujahideen claims to control 95 per cent of territory. Despite back-up from Pakistan, the situation is at best a stalemate. The régime is taking full advantage of its airpower, and guerrilla commanders have been unable to agree on a united strategy.

These days nobody talks of capturing Kabul. The snows have thawed and excuses run out. For the first time, Mujahideen are questioning whether the Soviet troops left because they were defeated or, as Western analysts agree, through global and domestic pressure.

So what went wrong? Partly, it was a change in the nature of war: setpiece battles to take cities require training and discipline rather than the unpredictability which made for an effective guerrilla force. Reports of atrocities whether by Mujahideen or their Arab volunteers have deterred defections, forcing the régime to kill or die.

The Shura (council) which convened in February to form a representative government that would attract defections degenerated into a popularity poll for the seven resistance party leaders who in an earlier survey of refugee camps got only 2 per cent support among them.

Defections are unlikely unless the government broadens its base and starts taking itself seriously. So far, it has only exposed differences.

Many supporters of the Mujahideen are looking more favourably at Najibullah, who, sitting in the capital, is claiming the moral high ground. A moderate resistance leader admits: "How can we call him a puppet when we have half the world pulling our strings?"

While extremists insist "peace will return to Afghanistan only through war", an increasing number of Mujahideen are talking of negotiations and of UN intervention to stop the bloodshed.

Najibullah is having some success in deals with individual commanders but the blood is still too fresh to do so openly. One commander asks: "When we threw out 115,000 Soviets, how can we admit to not being able to defeat half as many Afghan troops?"

With the present military deadlock, Pakistan and the US are under pressure to reassess their policy and reconsider a political solution. Moscow has suggested an international conference but Washington and Islamabad continue to back the interim government decision to go for a military solution, with the Bush Administration committed to give military aid until victory.

Last week, Mr James Baker, the US Secretary of State, was in Moscow for talks with Mr Eduard Shevardnadze, Moscow's Foreign Minister. Afghanistan was among the topics discussed during his visit, but Mr Baker has made it clear he is resisting Soviet demands for negotiations on a political solution.

Others within the State Department are saying Jalalabad was a serious mistake and the time may come for a policy review. Many are questioning the interventionist role of Pakistan's military intelligence (ISI) who were behind the Jalalabad fiasco and why the majority of aid has gone to extremists.

Pakistan's Prime Minister, Ms Benazir Bhutto, is also coming under pressure from those within her party anxious to avoid a protracted war on their borders. Public opinion is turning against the war, particularly after two Scuds were fired into Pakistan.

Some analysts believe the Mujahideen should not dismiss Najibullah's offer to step down and hold elections. A Western diplomat comments: "The longer they leave it, the weaker position they will be in. They may just find that when they finally agree, Najib refuses."

Meanwhile, the cost in lives and destruction is mounting. Last May, journalists were scouring the border for refugees returning. One year on, there are more refugees than ever.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Mar '89	Feb '89	Jan '89	Mar '88
UK (£bn)	exports	7.430	6.829	7.373	6.465
	imports	9.120	9.025	9.471	7.525
	balance	−1.690	−2.196	−2.098	−1.060
Japan (US$bn)	exports	24.238	23.635	23.722	20.801
	imports	17.104	13.486	14.548	12.339
	balance	+7.134	+10.149	+9.174	+8.462
		Feb '89	Jan '89	Dec '88	Feb '88
US ($bn)	exports	28.905	28.746	29.062	24.518
	imports	40.964	38.992	41.731	38.939
	balance	−12.059	−10.246	−12.669	−14.421
W Germany (DMbn)	exports	52.580	53.250	51.060	41.850
	imports	40.390	39.790	40.130	33.530
	balance	+12.190	+13.460	+10.930	+8.320
France (FFrbn)	exports	93.069	94.255	86.742	75.075
	imports	93.522	97.083	91.509	79.933
	balance	−0.453	−2.828	−4.767	−4.856

Mexico to streamline foreign investment rules

By Richard Johns in Mexico City

BIG changes in regulations governing foreign investment in Mexico – including the automatic and immediate authorisation of foreign investments of up to $100m (£60m) – are expected to be announced by the Ministry of Commerce and Industry in the very near future.

In line with President Carlos Salinas de Gortari's pledge of an "extraordinary liberalisation", the new rules will also spell out the acceptability of 100 per cent foreign ownership of new ventures outside certain sectors restricted to the state and national companies.

Exemptions from the 1973 Law on Foreign Investment, which limits the maximum foreign shareholdings in Mexican ventures to 49 per cent for particular industries, were made under the last administration with IBM, Xerox and Ericsson Industries.

But potential foreign investors, especially the Japanese, have been inhibited from investing in the country by the onerous application of the law and the general uncertainty about its rules.

Among the "strategic" sectors reserved for the state will be oil, basic petrochemicals, power generation, certain minerals including uranium, railways, and the basic telecommunications system. Others such as broadcasting, internal transport and airlines will be restricted to the ownership of national companies.

Overall the aim of the government and of Mr Jaime Serra Puce, the minister directly responsible, is to simplify the forbidding labyrinth of regulations and to streamline the equally daunting bureaucratic procedures.

At the same time it seems certain that one condition will be the location of new enterprises outside the main industrial concentrations of the Valley of Mexico, Monterrey, and Guadalajara.

Another stipulation expected is that a foreign company will have to produce 20 per cent of the capital needed for a project from its own cash resources with an 80 per cent limit on borrowing.

Emphasis will be placed on the training of Mexicans and the transfer of technology.

Of particular significance to tourism development is likely to be an easing of the ban on foreign ownership of coastal land through the use of "fideicomisos" or trusts enabling a foreign investor the unrestricted use of land – initially for 20 years – with the automatic right of renewal for a similar period.

The same legal device may be used to enable foreign companies, as well as national ones, to participate in joint ventures with Petroleos de Mexico for the production of basic petrochemicals, a sector exclusive to the capital-starved state oil corporation. Under such a system Pemex's partners would be paid in products.

In addition, it is understood that the government plans to open the Mexican stock market to direct investment by foreigners, although, whatever shareholdings they acquire, they will not be entitled to speak or vote at company meetings. The government says the new regulations will not need to be approved by the Congress.

But their constitutionality will probably be hotly contested by the left-wing opposition, and the old guard of the ruling Institutional Revolutionary Party may well find them politically unpalatable. According to the Bank of Mexico's latest annual report, foreign investment in 1988 was $2.59bn, of which $564m was accounted for by reinvestment of profits and $868m by debt swaps, which were suspended in November 1987.

Bush shifts ground on environment

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush has bowed to environmentalist pressure in his own administration and Congress and agreed that the US should commit itself to work towards an international convention on global warming.

This is a marked shift from previous US caution that a convention would be premature as not enough is known about scientific and economic effects of global warming.

New instructions have gone to the US team at a United Nations-sponsored meeting in Geneva on the issue and Mr William Reilly, the head of the Environmental Protection Agency, said Mr Bush was "committed to a framework convention that is properly prepared and fully inclusive of the rest of the world."

The administration has been divided, with Mr Reilly's agency and the State Department pressing for firm commitments, and the departments of Energy and Agriculture and the Office of Management and Budget favouring caution.

Mr Bush's change of policy is limited. The international conference he promised will now be a "global workshop" of experts.

Ecological commitment to be tested

Julian Ozanne previews a UN environmental meeting in Nairobi

ENVIRONMENT ministers and their representatives from 70 countries meet in Nairobi today hoping to take action to support growing concern about degradation of the environment.

Delegates to the conference, the United Nations Environment Programme's 15th Governing Council, expect to prepare the ground for a long-term programme of action.

"This, I consider, is a watershed in our movement in UNEP and in the environment. Either we get something serious out of this governing council or I would feel that really the governments do not mean business or, rather, they mean business as usual and we are going with the hullabaloo of talk and nothing doing about the protection of the environment," says Dr Mostafa Tolba, the executive director of UNEP.

The conference comes in the wake of several international conferences and initiatives this year which have rapidly made the environment one of the world's main concerns. These include the London Conference on the Ozone Layer, The Hague environment summit, the signing by 43 countries of the Basle Convention on the cross-boundary movement and dispersal of hazardous wastes and, this month in Helsinki, the commitment by 80 countries to a total phase-out of production and consumption of chlorofluorocarbons, which deplete the ozone layer.

But senior UNEP officials remain concerned that serious commitment to specific goals, targets and adequate levels of funding is lacking.

The conference will discuss three big issues: the role of UNEP, the agenda for a UN Conference on the Environment and Development in 1992, and the question of sustainable development.

Dr Tolba believes UNEP is over-stretched, under-funded and toothless. First he wants governments to give UNEP a mandate to focus on five areas of environmental concern where progress can be made. These are:

- Atmospheric issues – climate change and global warming and the ozone layer;
- Ocean pollution and coastal zone management;
- Toxic chemicals and hazardous waste;
- Deforestation and desertification;
- Fresh water management.

"Are the governments willing to reach that stage or not? This is going to be an acid test of whether governments really want to come down to earth and face the problem properly or not," he said.

Second, he wants governments to commit themselves to a significant boost of funding to UNEP from the present level of $40m to $100m by 1992.

Finally, Dr Tolba will press for a series of institution-strengthening measures to allow UNEP to function more effectively, particularly between the annual governing council meetings.

The issue of the strength of UNEP will also be brought up during discussions on the 1992 UN Conference. Dr Tolba hopes governments will endorse proposals for the creation of a high-level body called an Environmental or Ecological Security Council, which will meet permanently and act as the world's environmental policeman.

Appropriate institutional change in the UN system, such as making UNEP an executive specialised agency, is also being mooted.

But according to a report circulated to the Governing Council, the most important element for 1992 is "to state concretely what the world community is actually going to commit itself to do within the next decade. The conference should establish specific targets, state how the world is going to reach them, and define who is going to do what and at what cost."

These targets will include legally-binding commitments to address some of the main sources of climate change and the emission of greenhouse gases, principally carbon dioxide from cars and power stations, which are heating the earth and causing expansion of the oceans, which threatens catastrophic flooding of low-lying coastal areas and islands.

Other potential issues to be decided on for the agenda of the 1992 conference include:

- Adoption of a code of environmentally appropriate conduct;
- Creation of a centre for dealing with ecological crisis;
- Greater use of outer space as an environmental monitoring base;
- Establishment of an international environmental dispute system.

Finally, the governing council will consider whether the steps taken by the UN system and individual governments to address the issues of environmentally sound and sustainable development, as set out in the World Commission report Our Common Future, have been adequate and what should be done to promote further action at the levels of development plans and policies.

The thorny issue of making development assistance conditional on environmental action will also be debated.

Nuclear operators seek to improve world standards

By David Fishlock, Science Editor

EVERY electricity company in the world with a nuclear power station in operation - a total of 150 from 30 countries - is expected to be represented at top level in Moscow today for the inauguration of the World Association of Nuclear Operators (Wano).

Through Wano, nuclear companies hope to spot in good time any trends anywhere in the world that could lead to a major nuclear accident.

The companies, with more than 400 power reactors running, were agreed that public confidence in nuclear energy could not survive another accident as serious as Chernobyl, said Lord Marshall, chairman of the Central Electricity Generating Board, as he departed for the Moscow meeting.

The evidence from nuclear accidents so far was that such accidents did not "just happen" but had roots in bad operating practice that could be spotted much earlier, he said.

After the US reactor accident at Three Miles Island, US nuclear inspectors had unearthed records of several similar incidents that had begun in the same way, although no-one had been alert to the implications at the time.

Companies attending the Moscow inauguration would sign a charter undertaking to file data promptly on reactor performance and all nuclear incidents with Wano.

"It's no accident that we're meeting in Moscow. Chernobyl was a horrible shock to the Soviet people and the Soviet system," Lord Marshall said.

He believed membership of Wano would impose considerable "peer pressure" on every utility to be open and accurate. No utility could afford to be accused of failing to meet the spirit of Wano.

He understood Wano had the blessing of Mr Mikail Gorbachev, and its patron in Moscow would be a cabinet minister, Mr Boris Scherbina, deputy chairman of the USSR council of ministers, he said.

Wano is the nuclear utilities' own response to Chernobyl, initiated by joint US-French action, and agreed at a meeting of utilities in Paris 18 months ago.

It aims to maximise the safety and reliability of nuclear stations by fostering competition in plant performance between operators who are not normally competing commercially.

It will also encourage nuclear reactor operators to visit each other, criticise what they see, and exchange findings on operating practice with all members.

The utilities are funding a $5m annual budget for the international exchange of data, divided between regional centres in the US, USSR, Paris and Japan, and a co-ordinating centre in London.

By-election victory boost for Mahathir

By Wong Sulong in Kuala Lumpur

DR Mahathir Mohamad, the Malaysian Prime Minister, has further consolidated his position with a surprisingly strong victory for the government in a parliamentary by-election over the weekend.

Datuk Lim Ah Lek from the Malaysian Chinese Association, the Chinese partner in the government, secured 17,401 votes in the Bentong constituency, defeating the candidate from the opposition Democratic Action Party by more than 8,500 votes.

The by-election was caused by the death of Tan Sri Chan Siang Sun, the Health Minister, who had won the racially-mixed seat in the 1986 general election by a margin of 6,000 votes.

The DAP chief, Lim Kit Siang, recently released after being detained for 18 months, campaigned vigorously in Bentong, but his efforts had little impact on the voters, who, after having Tan Sri Chan as their MP for 30 years, appreciate the benefits of staying with the government.

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Egypt to lift interest rates today

By Tony Walker in Cairo

EGYPT will raise interest rates from today by up to three percentage points, in a clear sign that it is further preparing the ground for an agreement with the International Monetary Fund. Increased interest rates are one of the Fund's key demands.

Egypt's Central Bank announced at the weekend a comprehensive overhaul of the interest rate structure in an effort to encourage savings in local currency, but bankers are sceptical about whether the measures will help attract substantially increased Egyptian pound deposits.

Bankers report that more and more Egyptians have been opening foreign currency deposits – the so-called "dollarisation" of savings – as a hedge against further depreciation in the value of the local currency, and as a means of protecting their savings from the ravages of inflation of up to 30 per cent.

Interest rates will range from five per cent on short-term local currency deposits to 16 per cent on deposits committed for more than seven years. Interest on various categories of loans will carry a maximum of 19 per cent.

Egypt is under increasing pressure to reach an accommodation with the IMF. In the absence of such an agreement and consequent rescheduling, Cairo will be obliged to resume substantial repayments on its military debt to the US.

- Egypt was readmitted at the weekend to the Organisation of Arab Petroleum Exporting Companies.

Arab oil ministers, meeting in Kuwait, voted to lift Egypt's Oapec suspension, imposed after it signed the 1979 peace treaty with Israel.

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LEMON BARLEY WATER
& (phew!) Colman.

Brussels dreams again of creating truly 'European' companies

The Commission's president plans to revive an idea on and off the agenda for more than 20 years, David Buchan writes

THE European Commission is, once more, dreaming the seemingly impossible dream of creating truly "European" companies, whose articles of incorporation would set them free from the company laws of any of the 12 member states. It would, in other words, be the legal equivalent for a company of wrapping itself in the blue and gold-starred European flag.

This proposal for a European Company Statute (ECS) has been on and off the Community's agenda for more than 20 years. But by the end of this month, Mr Jacques Delors, the Commission president, plans to revive the idea.

Much of the forthcoming debate, not to say furore, about ECS will, as in the past, turn on worker participation provisions tacked on to it. West Germany has always demanded that no plans to ease cross-border co-operation or mergers be allowed to provide German companies an escape route from the federal republic's highly-structured system of "co-determination" between workers and managers.

The UK government and its leader remain strongly opposed to worker participation; Mrs Margaret Thatcher's latest outbursts against Brussels are most easily explained by the imminence of the ECS proposal. "Germany's sacred cow is Britain's *bête noire*," as one observer pithily puts it.

But this extraneous, ideological argument should not obscure either more fundamental problems ECS is designed to tackle, or other attempts being made to remove fiscal and legal barriers to greater cross-border co-operation.

These attempts include the Commission's revival of old proposals to reduce double taxation of corporate profits and to defer taxes arising from cross-border mergers, its pending proposal to harmonise the base (not just the rates) for taxing corporate profits, and its promotion of something called the European Economic Interest Grouping (EEIG).

Approved by EC governments back in 1985 as a handy legal framework for cross-border joint ventures, the EEIG becomes a real option for potential joint venturers from July 1 this year. A number of consortia, including the big electronics companies involved in promotion of high definition television, look like taking advantage of it.

The reaction of most companies to all this effort nominally on their behalf is apathetic. Business, generally, seems to have grown resigned to finding its own way through the company law maze, weary of the lack of progress in the area – tax – that most interests it, and cynical, not to say hostile, towards anything that smacks to it of social engineering. Unice, the widest European grouping of employers, terms the ECS "useful, but not indispensable to the realisation of the internal market."

But there are some broader rationales for what the Commission is doing. By removing many barriers already, the "1992" programme has had the effect of concentrating people's minds on remaining obstacles.

It has, in particular, brought home the fact that an average European company still cannot operate in the single legal and fiscal environment open to its competitors in Japan or even the US.

If, in fact, there were as few differences between company laws of the Community's 12 member states as there are between those of the US's 52 states, the rationale for a separate ECS would disappear. But, as the Commission admits itself, its earlier drive to harmonise member states' company law (quite successful in making accounting practices more uniform) "seems to be losing momentum."

The Commission also feels that though it is now heavily involved in supporting cross-border technology research programmes (Esprit, Race, Brite), the fruits of such programmes may fall on stony ground for lack of sufficiently pan-European companies to exploit them. Ironically, business sees part of the problem here as lying in the Commission's own anti-trust rules.

Two other factors shaping the Commission view are the demise of many of Europe's earlier cross-border mergers, and the rising trend towards Anglo-Saxon-style majority takeovers. Like a lament for the dead of the Great War, Commission documents carry sad lists of mergers formed across borders, often on a 50/50 basis, but which have since come apart, sometimes precisely because they were 50/50 – Hoesch/Hoogovens, Agfa/Gevaert, Pirelli/Dunlop, and so on in memoriam.

The Commission is itself trying to put some order into takeovers, producing last December a proposed code of practice and undertaking a study of the barriers to takeovers (such as non-voting shares) prevalent in some continental European countries. But there is still a feeling, particularly among the non-Anglo-Saxon Eurocrats, that there must be a gentler alternative to the takeover trend.

1992 THE EUROPEAN MARKET

There is no question that there are obstacles to the forging of pan-European concerns. Take, for example, the case of European Silicon Structures (ES2), a rare, perhaps unique, instance of a pan-European start-up.

In 1985 Dr Robb Wilmot, the former head of ICL, decided with three other Europeans to set up a highly specialised, trans-European custom chip business.

The following two years were "an absolute nightmare," he says. "In several cases, we found near total roadblocks – where what had to be done to be incorporated in France would bar us from incorporation elsewhere, and vice versa."

After spending Ecus 200,000, no small sum for an operation with no initial income, ES2 has ended up, according to Mr Pierre Le Sueur, its finance director, as a Luxembourg holding company controlling a Dutch holding company that owns five Dutch subsidiaries which, in turn, own a German subsidiary and (along with the Dutch holding company and one other shareholder) a French subsidiary.

The reasons for all this, Mr Le Sueur explains, are that the Netherlands (because of its good tax treaties) is "a good intermediary" vis-à-vis Luxembourg, that incorporation in France requires seven shareholders, and that the "optimum" number of shareholders (for tax reasons) in Germany is five. Incorporation in the UK is, by contrast, "refreshingly simple," says Mr Le Sueur, "you just need one parent." The sole parent for ES2's UK company is the Dutch holding company.

Ford of Europe, by contrast, is one of those companies with a small army of lawyers and accountants to manage the complexities of running its subsidiaries dotted around the EC.

But Mr Wolfgang Schneider, its deputy chief legal counsel, says Ford would dearly love to "organise itself on a pan-European basis as a single entity."

Thus, he says he has followed very closely ruminations in Brussels over "the European company idea" which, if ever realised, would help Ford "streamline its administration." However, "the progressive legal concept" of ECS, as currently conceived by the Commission, would not, in Mr Schneider's view, be matched by "an appropriate tax set-up". Companies adopting the ECS would still have to do "separate tax accounting, separate pricing between subsidiaries, separate reporting" in the various EC states.

With some form of cross-border tax consolidation, many of Europe's joint companies of yesterday would have held together, in the opinion of Mr André Leysen, head of Gevaert which once jointly owned Agfa-Gevaert with Bayer of West Germany. Bayer and Gevaert were for 14 years the joint mother companies of the two Agfa-Gevaert companies, one in Belgium and one in Germany. But they faced an impossible situation in the early 1980s when the German company was making heavy losses that could not be set off against the equally heavy profits of the Belgian company.

"On its profits, the Belgian company had to pay 53 per cent local corporation tax, a further 20 per cent withholding tax on its dividends, leaving only one third of profit left, out of which to give capital increases to the loss-making German company," Mr Leysen ruefully recalls. Had Afga-Gevaert been allowed to consolidate its accounts, its German losses would have reduced or eliminated its Belgian tax bill.

But the key doubt, in the mind of Mr Leysen and many others, is whether member states are ready to give up any part of their tax sovereignty. Within their own national borders, governments generally allow companies to consolidate profit and loss of branches. Whether they are ready to forgo tax revenue at home simply because their companies happen to have a loss-making foreign branch, a partial tax consolidation which the Commission is about to propose in the context of the ECS, is highly doubtful.

Again within their own borders, governments permit one of their companies to take over another, without levying capital gains tax on the assets of the company being absorbed. No such exemption exists in the case of cross-border mergers, with governments resistant to companies leaving their tax jurisdiction scot-free.

Since 1969, the Commission has had on the table a proposal that would register the tax liability of a company being acquired but defer actual tax payment until its assets (as a result of a de-merger or liquidation) were eventually realised. This appears a sensible compromise – but one on which agreement has been stalled for 20 years.

The two "double taxation" proposals have been equally stalled. One (dating from 1976) would require EC tax authorities to accept eventual binding arbitration to resolve disputes concerning transfer pricing within a multinational straddling their borders. Problems can arise, to take an example given by Mr Schneider, when Ford of Germany "sells" a Scorpio car to Ford of the UK. "The German authorities say it's being sold too cheap (reducing taxable profits in Germany), while the UK tax people say it's being bought too expensive (reducing taxable profit in the UK)."

Member states are not deeply divided on this arbitration proposal, but final agreement here is being held hostage to progress on another proposal dating from 1969. This would abolish withholding taxes on dividends paid by a subsidiary in one EC state to its parent in another EC state.

Agreement has long been held up, and was again last month, by West Germany's refusal to abolish this withholding tax, and the refusal of other EC states, particularly the Netherlands, to do so unless Bonn does.

Germany's problem lies in its split rate withholding tax (as between distributed and undistributed profits), and its fear that foreign parent companies will plough income from lightly-taxed dividends back into their German subsidiaries, giving them an unfair advantage over purely German-owned and based competitors.

This is another instance of the insistency with which West Germany defends its own, often very idiosyncratic, company and tax law structure.

Cambodia still stumbling block ahead of Peking summit

By Peter Ellingsen in Peking

HOURS before Mr Mikhail Gorbachev, the Soviet leader, was due to arrive in Peking to end 30 years of cold war between the communist superpowers, China and the Soviet Union were still haggling over the issue that has kept them at odds – Cambodia.

Mr Gorbachev's summit meeting with the top Chinese leader, Deng Xiaoping, will normalise Sino-Soviet relations, but will not produce consensus, particularly on the 10-year-old Cambodian impasse.

Describing the meeting as a "momentous event", China's vice-premier, Wu Xueqian, made Peking's position clear when he noted that the four-day summit would not resolve "all problems".

Apart from withdrawal of Vietnamese troops by September, which Hanoi and Moscow have agreed to, China wanted Cambodia's future to be decided by a four-party provisional coalition led by Prince Norodom Sihanouk, Wu said.

The Soviet Union believes the Hanoi-backed régime of Hun Sen should supervise election of a new government, and has objected to China's continuing support of the Khmer Rouge, the strongest of the four factions, and the clique responsible for 1m deaths between 1975 and 1978.

Peking has equivocated over the wording of the document to be released at the end of the summit on Thursday. Diplomats say Cambodia is the main stumbling block, though differences about disputed border territory and the extent of Soviet military placements in Mongolia and other border regions, remain.

Wu said China welcomed Moscow's promise to withdraw 9,000 of the 12,000 troops it has in Mongolia, but "we hope they will also pull out the remainder". The Soviet offer to reduce its armed forces along the border required "further discussion".

Mr Gorbachev says he will demobolise 200,000 of the estimated 500,000 Soviet troops in 53 divisions on the border, as well as dismantle support and nuclear bases. Peking is considering disbanding 300,000 of the estimated 800,000 troops it has in 63 border divisions.

Disputes over territory along the eastern border have largely been resolved, but bargaining about the western frontier continues.

China still claims 1m sq. miles of Siberia annexed last century. In talks with the visiting Iranian president, Ali Khamenei, Deng this week emphasised the importance of the summit, saying it would make a huge contribution to peace.

Mr Gorbachev will also hold talks with China's prime minister, Li Peng, and party chief Zhao Ziyang, when party-to-party links will be re-established.

Call to end Khmer Rouge aid

By Roger Matthews in Bangkok

PRINCE Norodom Sihanouk, the Cambodian resistance leader, has urged China and Thailand to cut off military supplies to the Khmer Rouge guerrillas fighting the Vietnamese occupation of his country, to encourage a peaceful solution.

The prince speculated in Bangkok at the weekend that the Khmer Rouge might launch a *blitzkrieg* on Phnom Penh after Vietnam's troop withdrawal, due at the end of September. Moscow had to insist on a full Vietnamese withdrawal while Peking should cut its aid to the Khmer Rouge.

If China continued to support the Khmer Rouge militarily, there would be no hope of a negotiated solution. But if the arms flow through Thailand was cut by China and the Thai government, "then the Khmer Rouge will have to be more reasonable."

Prince Sihanouk urged the Western media to stop painting such favourable pictures of Hun Sen, the Vietnam-backed Cambodian premier. There was a danger Hun Sen would feel he was gaining world recognition and therefore need not make more than cosmetic concessions, he declared. If that happened, Cambodia could revert to life as it had been under the Khmer Rouge, with no individual liberties.

There had to be a quadripartite solution, including a weakened Khmer Rouge, otherwise, the country could again be plunged into civil war.

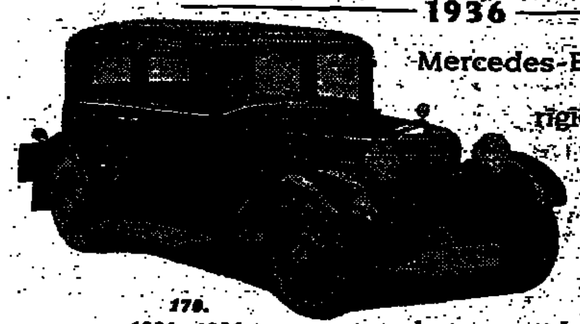
The Khmer Rouge has meanwhile repeated its refusal to contemplate a ceasefire until all Vietnamese troops have left Cambodia under strict international supervision.

1931

Independent front suspension developed to allow each wheel to follow road surface contours unhindered by the movements of the other front wheel for greater stability, comfort and improved steering control.

It is subsequently adopted, almost universally, by other manufacturers.

1936



170.
1931–1936

Mercedes-Benz develop the rigid-frame floor pan, three - section collapsible safety steering column and strong side-impact protection.

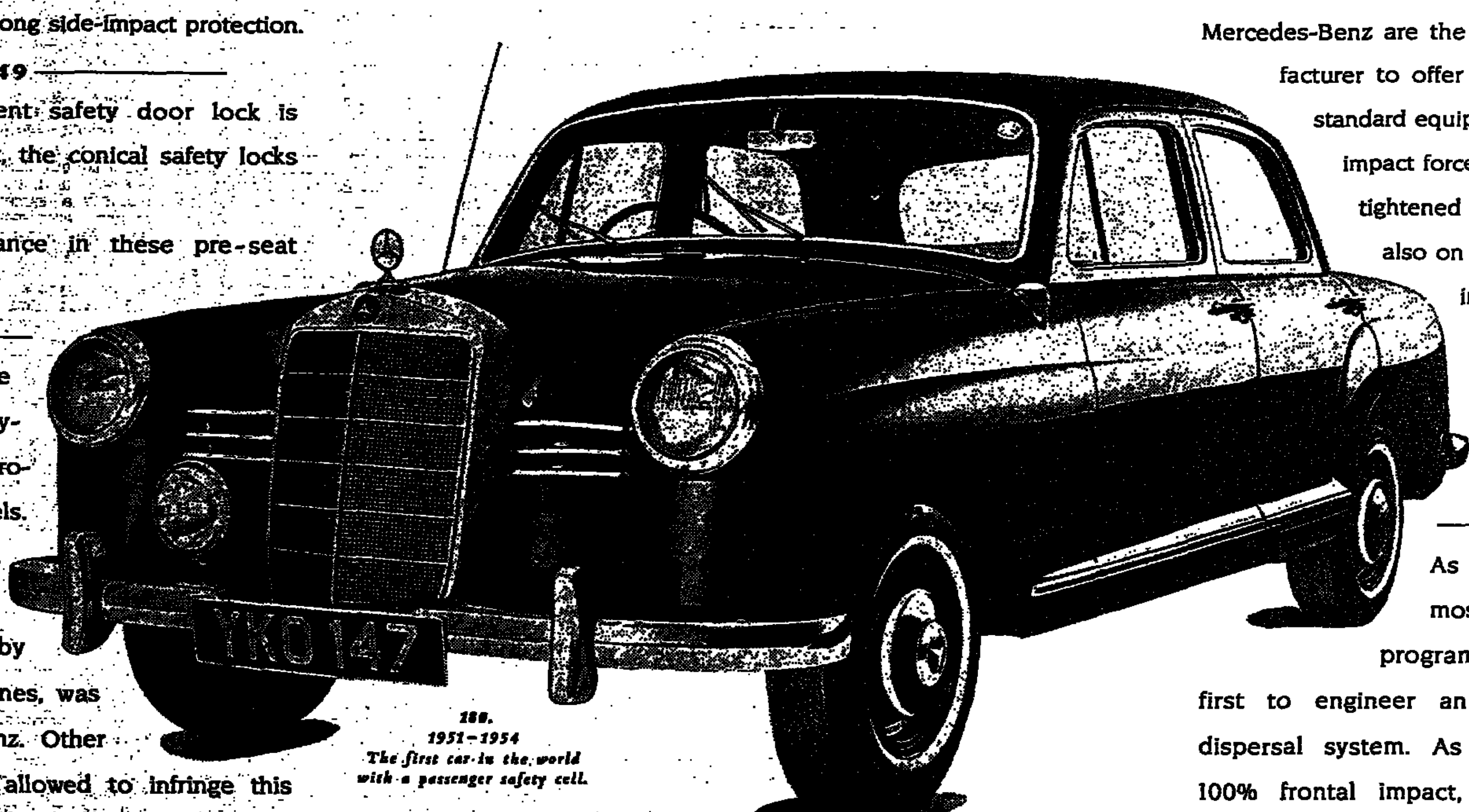
1949

The Mercedes-Benz patent safety door lock is introduced. In an accident, the conical safety locks cannot burst open or jam.

An important advance in these pre-seat belt days.

1951

Mercedes-Benz develop the world's first safety body-shell. Later to go into production in the 180 models. The now standard practice of placing passengers in a rigid cell protected by front and rear crumple zones, was patented by Mercedes-Benz. Other manufacturers have been allowed to infringe this patent in the interests of universal road safety.



180.
1951–1954
The first car in the world with a passenger safety cell.

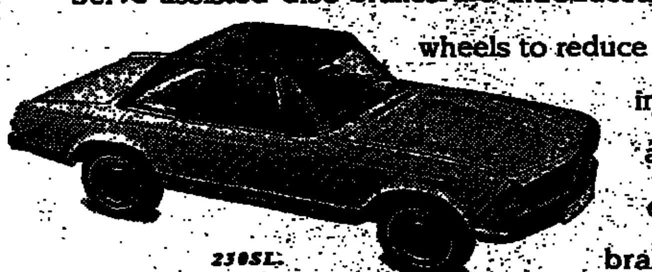
1959

First systematic crash and roll-over test programme. In one year 80 cars are destroyed so that safety problems can be more thoroughly investigated.

Mercedes-Benz introduce the first production cars to be equipped with padded interior surfaces and flexible components for additional safety: large, padded steering wheel boss; a padded, yielding dashboard; flexible control switches and levers; padded sun visors, window sills and arm rests; flexible window handles; recessed door handles; rear-view mirror that detaches on impact.

1961

Servo-assisted disc brakes are introduced on all four wheels to reduce driver effort in everyday as well as emergency braking.



230SL.
1963–1967

1967

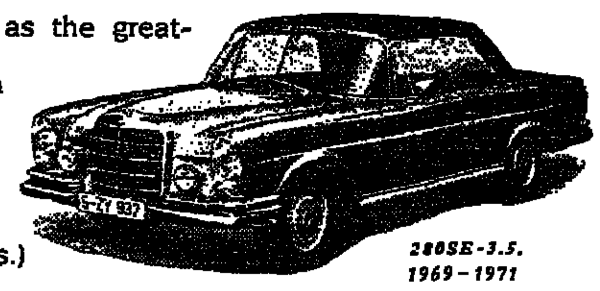
Mercedes-Benz safety steering assembly. It yields progressively on impact to reduce the possibility of driver injury. The main advantages are: a large padded steering wheel boss, impact absorber, collapsible telescopic steering column and a steering box sited well behind the front suspension.

1968

Front head-restraints are introduced to lessen the risk of "whip-lash" neck injuries.

1970

Announcement of the anti-lock braking system (ABS) which prevents the wheels locking under emergency braking. The vehicle does not break away and can still be steered around obstacles. (The principle is now accepted as the greatest advance in braking since the invention of disc brakes.)



280SE-3.5.
1969–1971

1973

Front seatbelts and head restraints become standard equipment on all Mercedes-Benz cars.

1979

ABS is introduced on production models. Seatbelts are made standard fitting on all four seats (in advance of U.K. legislation).

1981

Mercedes-Benz are the first and still the only manufacturer to offer automatic belt-tensioners as standard equipment (above a pre-determined impact force, the seat-belt is electronically tightened in milliseconds). The airbag is also on offer for the first time (stowed in the steering wheel boss, it inflates in 25 milliseconds on serious impact, to cushion the driver's head and chest).

1983

As a result of the industry's most exhaustive crash testing programme, Mercedes-Benz are first to engineer an improved impact energy dispersal system. As well as coping with the 100% frontal impact, demanded by legislation, the new Mercedes-Benz design directs impact energy away from the car's occupants in the event of off-set frontal collisions.

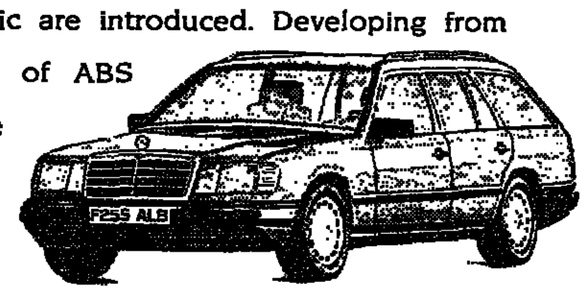
Mercedes-Benz develop brake and clutch pedals that swing away from the driver's feet in the event of a major accident.

1987

ASD (automatic locking differential) is introduced. Under conditions where traction varies between the right and left driven wheels, causing one to spin uselessly, the ASD system automatically transfers power to the wheel with better traction. The device is designed to operate at speeds up to approximately 19 mph, to aid initial acceleration and manoeuvrability in difficult conditions. However, the ASD warning light alerts the driver to poor traction conditions regardless of vehicle speed.

1988

ASR and 4-Matic are introduced. Developing from the technology of ABS and ASD, these systems give the driver additional support in hazardous road conditions. ASR (acceleration skid control) electronically monitors wheel speed and automatically applies the brake and adjusts the throttle opening so the driving wheels cannot lose their grip under hard acceleration. 4-Matic (automatically engaging four-wheel drive) electronically monitors wheel slip and steering angle, progressively bringing in front wheel drive, a locking front to rear differential and finally, a rear differential lock as conditions dictate.



300TE 4-MATIC. 1988

Over the years no one has done more for safety than Mercedes-Benz

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

UK NEWS

Democrats call for unity as SDP admits failure

BY Michael Cassell, Political Correspondent

THE SOCIAL and Liberal Democrats (Democrats) were last night predicting a wave of defections from the Social Democratic Party, after the SDP's admission at the weekend that it could not retain its national party status.

The Democrats' federal executive will meet tonight to consider their reaction to the SDP's public acknowledgement.

Mr Paddy Ashdown, the Democrat leader, yesterday appealed to SDP supporters to rejoin his party so that the centre-ground of British politics could again unite to fight the Tory party.

Despite some suggestions that the virtual collapse of the SDP could herald moves towards a full merger with the Democrats, Dr David Owen, the SDP leader, last night pledged that the party would "go on *fighting* its corner."

He denied that the party was facing any cash crisis and said the SDP continued to attract members in all parts of the country. Its principal target would be the introduction of proportional representation.

Dr Owen again called for an end to conflict between the centre parties and for co-operation to avoid unnecessary election contests. But he warned that if the Democrats "arrogantly just push ahead" then the SDP would carry on fighting.

He also repeated his view that the SDP would be ready to work with Labour, although he did not believe it would be fit to govern by itself or that it would be elected on its own.

SDP President John Cartwright explained that the party would "be a campaigning *organisation which would have* no aspirations to national party status. This carries risks. But so too does going on as a national party which fails any sensible test of qualifying as a national party – like the Liberals in the 50s."

Mr Roy Hattersley, Labour's deputy leader, said Dr Owen had finally accepted that the SDP was finished. He called on SDP supporters to "come home to the Labour party."

The SDP's national committee revealed this weekend that its membership had dropped to 11,000 and that it is being forced to implement cost-saving plans which will reduce its national profile.

The party suffered a humiliating defeat at this month's local elections when it retained just 14 seats.

David Owen: pledging to *fight the SDP corner*

Dr Owen's party is to hold a meeting of its Council for Social Democracy next weekend in Coventry, which will be asked to approve a new constitution, essentially intended to save money. The meeting will also consider abandoning a full-scale annual conference.

Editorial comment, Page 24

Government urged to consider private TV transmitter groups

By Raymond Snoddy

THE GOVERNMENT has been urged to carry out a radical reorganisation of Britain's national broadcasting transmission system and sell its assets to the private sector, ending both BBC and IBA control and ownership of transmitters.

A study, carried out by consultants Price Waterhouse for the Home Office, advocates the creation of two competing private sector transmitter companies based on a geographical split of the UK.

Each would be able to transmit to roughly the whole country but would, in effect, have a monopoly in the areas which they controlled.

At the moment, both the BBC and Independent Broadcasting Authority (IBA) share almost all their transmitter-masts and sites. IBA and BBC engineers are responsible for maintaining their own transmitters at the shared sites, although there is co-operation in emergencies.

The Price Waterhouse proposal means that in each area one of the two private sector transmission companies would be responsible for all broadcasts whether BBC, Independent Television (ITV) or new commercial services such as the planned Channel 5.

Such a reorganisation would have high initial costs and involve considerable re-engineering of existing transmitter operations.

The Government is now likely to push ahead with the privatisation of broadcasting *transmissions* in *some form* – a goal set out in November's policy paper on broadcasting. The Price Waterhouse report puts forward no technical or financial barriers to privatisation.

Price Waterhouse's second option is the privatisation of both the BBC and IBA transmission systems in their existing form, an option much more acceptable to both broadcasting organisations.

The Price Waterhouse report, which will be published later this month, has virtually ruled out the Government's preferred policy of creating competing private regional transmission companies as advocated in the policy paper. Price Waterhouse says this could be done if the Government insists but makes it clear it does not think much of the idea.

No attempt has been made to cost any of the three options but it is clear that anything other than the second option will involve significant extra cost, at least in the short term, with only the promise that ultimately there "could" be savings in the longer term. The business of broadcasting transmission in the UK is worth more than £80m a year.

If the Government decides to accept Price Waterhouse's preferred option it would need the acquiescence of the BBC, which – under the Royal Charter which brought it into existence and runs out in 1996 – controls its own transmitters.

But the BBC could face pressure to give up its transmitter operations "voluntarily" to protect the level of its licence fee funding.

Lecturers to vote on pay row

By David Thomas

THE INDUSTRIAL relations crisis in higher education looks set to escalate as a result of the decision at the weekend by Natfhe, the college lecturers' *union, to ballot lecturers* in third level technical colleges on industrial action.

Mr David Triesman, Natfhe's negotiating secretary, said yesterday that union members would be asked to agree to work to rule and refuse to release exam results, which could affect more than 100,000 students this year.

The union is angry at the failure of employers to respond to its pay claim, which would cost 21.5 to 25 per cent, and at the proposed introduction of new contracts of employment with conditions akin to those of office workers.

The union will meet tomorrow to finalise the timetable for the ballot of the union's 17,000 members in the sector, but Mr Triesman said action could start before the next negotiating meeting with the employers on June 7.

CBI TRADES SURVEY

Growth, outlook for retail sales hit by high interest rates

By Peter Norman, Economics Correspondent

THE GOVERNMENT'S policy of using high interest rates to dampen consumer demand appears to be working, albeit slowly, according to a survey published today.

The latest Confederation of British Industry/Financial Times distributive trades survey suggests that retail sales growth has slowed as consumers' spending patterns have adjusted to higher mortgage rates.

According to Mr Nigel Whittaker, chairman of the survey panel, retailers' expectations have also been dampened in recent months. "Any marked increase in confidence is unlikely while interest rates remain high," he said.

The latest survey, which was carried out mainly in the second half of April, suggests that *the monetary squeeze* has hit purchases of luxury goods and expensive items, and the outlook for the motor trades is gloomy.

Grocers fared best among retailers last month while shops selling footwear, leather goods and household fittings and furnishing reported lower sales.

Among motor traders, sales recovered in April from March, although firms selling parts and accessories reported stronger growth than vehicle traders. Both categories expect volume sales in *May to be lower* than last year's totals.

By contrast, the latest survey shows a pronounced recovery in sales and orders among wholesalers. These figures helped to boost the fortunes of the distributive trades in general between February and April.

However, the wholesale figures give only an imperfect guide to the purchase of goods by retailers and eventual consumer purchasing trends. This is because supplies to the catering and restaurant trade and public institutions are included in the wholesalers' figures.

Strikes expected to bring London to a standstill

By John Gapper, Labour Correspondent

SEVERE disruption of transport in London is expected today as bus workers and underground train drivers go on separate 24-hour strikes.

The strikes come amid discontent among public sector workers over pay and changes to work practices.

The strikes – an official stoppage by bus crews over pay and an unofficial walk-out by train drivers protesting at the elimination of pay differentials – are expected to halt nearly all central London services.

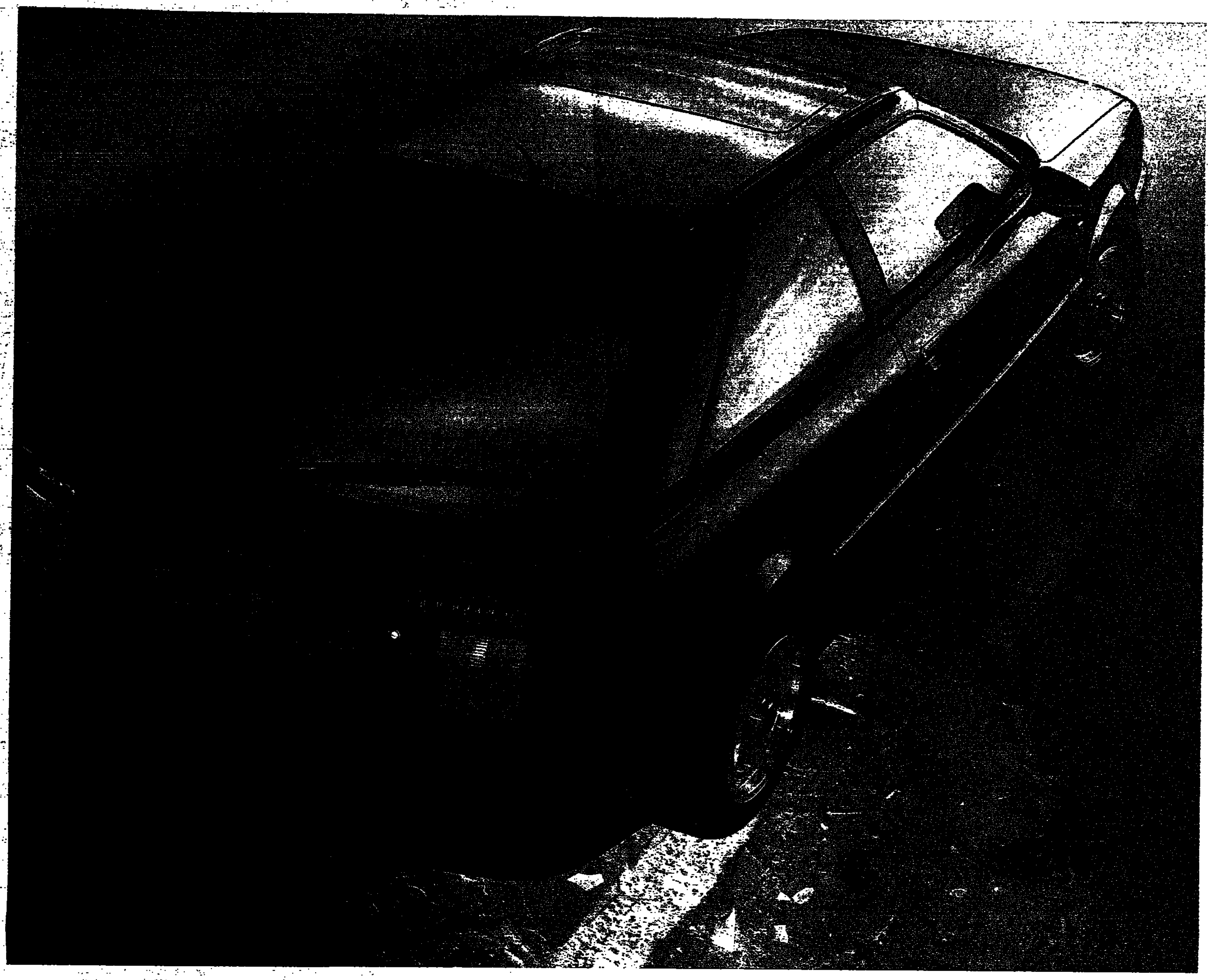
London Regional Transport said yesterday it expected all underground services except those on the Northern, Bakerloo, Victoria and Central lines to be *halted*, and only about five inner London bus routes to be running.

Scotland Yard said that traffic and parking restrictions would be strictly enforced and asked companies to stagger working hours to prevent congestion. The Automobile Association said it expected a rush hour at dawn.

The transport disruption caused by the two strikes and an overtime ban on Southern Region British Rail services is expected to be the worst in the capital this decade and may be followed by further strikes over pay.

The build-up of pressure on pay among both private and public sector workers is expected to be fuelled this week by the publication on Friday of the latest retail price index figures.

Mr Michael Meacher, opposition *Labour party employment* spokesman, said he expected the RPI to be rising at 7.9 per cent, confirming pay increases still lag inflation.



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Our three-wheel drive is, of course normally a four-wheel drive system.

The three-wheel drive, however, operates in certain situations.

For instance, in extreme conditions which are so treacherous that the differential locks are engaged, this is what happens if one rear wheel hits ice.

The drive system automatically, and in a fraction of a second, splits the power to keep the remaining three wheels in traction.

The differential is called Torsen, or torque-sensing. (A tongue twister and a torque twister.)

For the non-technically minded, it simply means that the car is less likely to lose its grip even when conditions vary enormously.

For the technically minded, it can be summed up in the following three words.

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Rich-poor gap is wider, declares Low Pay Unit

By Alan Pike, Social Affairs Correspondent

CLAIMS by the Prime Minister that "everyone in the nation" has benefited from increased prosperity are a surprise to the 9.4m people with incomes at or below supplementary benefit level, the Low Pay Unit says today.

The number of people in such a position increased by 55 per cent between 1979 and 1985 alone, the unit says. The assertion that the 1980s have witnessed unprecedented growth in real disposable incomes, it adds, is not supported by the facts.

The 10 years during which Mrs Thatcher has been in power, the unit says, have seen an increase in average real net income of 1.9 per cent annually – almost exactly the same as the previous decade.

"What does distinguish the 1980s from earlier periods," it adds, "is that the widening disparities between the rich and the poor have rendered this average more meaningless than ever before."

By defining the poor in terms of people with incomes at or below benefit level, the unit's report has strayed into one of the areas of controversy aroused by Mr John Moore, Social Security Secretary, last week.

In a speech that has provoked strong reactions, Mr Moore described claims that large sections of the British population live in or on the margins of poverty as false and dangerous. He said that using

John Moore: notions of relative poverty attacked

benefit rates as a poverty line meant that "you end up measuring poverty by the very means used to prevent it."

Both Mr Moore and Mrs Margaret Thatcher, the Prime Minister, would like to see an end to the practice of defining poverty in terms of benefit rates. They are concerned that, under that approach, higher benefit levels can actually increase the number of low wage earners who are held to be in or close to poverty.

Mr Moore's speech, contending that poverty in the stark, 19th-century sense has been abolished and attacking contemporary notions of relative poverty, has met a critical reaction from opposition MPs and pressure groups working with the poor. In his own party, reaction has been more mixed. Some Conservative backbenchers support Mr Moore's robust attack on contemporary notions of poverty, but others have questioned his wisdom in making the speech at all.

Until the middle of last year, Mr Moore was responsible for health as well as social security. He attempted to bring his firmly held belief in the need to break what he sees as Britain's "dependency culture" to the Government's review of the National Health Service.

By the time he lost responsibility for health when the Department of Health and Social Security was divided last summer, a number of government backbenchers felt he had failed to convince the public that the Government was committed to the NHS, and that that was damaging the Government's fortunes.

He faces the same criticism over last week's speech. There is agreement – even among poverty pressure groups – that current definitions of poverty are vague and would benefit from greater clarity. But some of Mr Moore's colleagues fear that his attempt to enter this slightly dense debate will simply convey the impression that the Government does not care about the poor, however they are defined.

Review 36. Low Pay Unit, 9 Upper Berkeley Street, London W1H 8BY. £2.

Water body plans evoke fears for environment

By Anthony Moreton

SOUTH West Water has called in consultants to advise it on how best to develop the land alongside its reservoirs after privatisation.

The move will lead to immediate fears among environmentalists and conservation groups who are already concerned about the possibility of houses, chalets, roads being built, and about other urbanisation within the countryside.

Mr Keith Court, chairman of SWW, which will be privatised towards the end of the year at the same time as the other nine authorities in England and Wales, said: "We see water as a focal point. It is an attraction. The water itself can be used for greater activity, though we would want quiet activity.

"Any physical development we undertake would be distanced from the water. Any housing would only be to support rambling, shooting or other countryside activities."

The nationalised authority is cautious about commenting on its plans ahead of privatisation in case it has to face allegations that it is seeking to influence its flotation share price.

Mr Court emphasised that only "a very small proportion" of the authority's 14,000 acres is even capable of development. Much of the land is in small plots or contains industrial buildings such as sewage works.

However, South West Water, which includes in its area Devon, Cornwall and parts of Dorset and Somerset, the most popular tourist area in Britain, has 21 large reservoirs, already catering for fishing or boating. In addition, a huge reservoir at Roadwell, north of Plymouth, will begin to fill this autumn.

The other nine authorities, many of which are larger than South West Water, are also certain to be studying the position.

Many of the reservoirs in England and Wales – Scotland is excluded from the privatisation measure – are within national parks, which will increase the environmentalists' concern.

There are already fears in Wales that commercial building is creeping inexorably into the Brecon Beacons national park and water privatisation will exacerbate those fears.

Exeter survey, Pages 15-20

SDP faces up to harsh realities

Michael Cassell examines the dwindling influence of David Owen

THE weekend decision by the Social Democratic Party to scale down its national activities represents the inevitable end of what has recently become an increasingly unequal struggle.

Regardless of how the leadership may choose to present the outcome of its crisis meeting at the St Ermin's Hotel in London, the party's membership, its dwindling finances and a series of disastrous polling performances provide their own, eloquent statement about the real condition of the SDP.

Dr David Owen, one of the "gang of four" who founded the SDP in 1981 as the Labour party fell under the spell of its left wing, was still laying down the terms for electoral pacts yesterday as though he is a force to be reckoned with.

He will not have missed the irony of the timing which has seen his social democratic flagship plunge on to the political rocks just as Labour appears to be refloating after abandoning the policies that first made Dr Owen and his colleagues jump overboard.

Since the SDP came close to winning the Richmond by-election earlier this year, a result that had no wider, electoral implications for the party, it has moved closer still to the outer boundaries of the British political map.

In spite of the Democrats' best efforts to give Dr Owen's party a status it did not deserve, by publicly seeking agreed electoral deals, the SDP's national standing has been sinking fast. Its morale has been close behind.

The party lost its deposit in the Vale of Glamorgan, held just 14 county council seats in this month's local elections, and now finds itself with a national membership of 11,000 – down from the 30,000 total claimed last year.

The bold talk of four-party politics, which followed the decision by the Owenites not to join their former partners in the creation of a new centre party, has now become a question of "guerrilla" tactics and of a "limited struggle".

Along with manpower, cash has been another important factor in the decision to rein in the party machine. The SDP owes much to the personal support and generosity of Mr David Sainsbury, the millionaire head of the supermarket chain. It was being made clear yesterday that his backing would continue.

But Dr Owen made clear his belief yesterday that the SDP has to live within the financial limits set primarily by the cash-raising capacity of its rank-and-file members.

The principal reason behind the urgent slimming-down of the party's elaborately constructed constitution is to remove many of the costly obligations which even a larger organisation might find hard to justify.

For all the weekend's dramatic developments, the question of the future relationship between the SDP and the Democrats – the issue that has

David Owen: "needless and self-destructive fight"

continued to frustrate progress for the centre ground – remains unresolved.

Dr Owen called again yesterday for co-operation to end a "needless and self-destructive" fight, although his placatory noises were accompanied by threats of further bruising bouts if no agreement could be reached.

He made clear that he expected the SDP to continue as a party, dismissing any idea that the SDP's parlous state could finally bring about the merger with the Democrats that has been so strenuously resisted.

The Democrats were busy yesterday emphasising that no one was gloating over the SDP's plight, which seems highly improbable given the acrimony that surrounded the centre parties' split and the hostilities that have continued.

Dr Owen's old adversaries now intend to grasp the opportunity to lure across as many of the SDP's dwindling and disenchanted band as possible. The Democrats say that there has been a steady trickle of defectors and now expect the number to rise.

Mr Paddy Ashdown, the Democrat leader, has been strongly criticised from within his own ranks for his handling of the party's relationship with the SDP and the hope now will be that Dr Owen's tiny following will finally cease to represent a political consideration to be accounted for.

Mr David Steel, the former Liberal leader, could not resist rubbing salt into Dr Owen's wounds yesterday. He said the SDP had stopped pretending to be something it had never been. Its leader would continue to be a "gadfly" in British politics.

The future of Dr Owen's two fellow MPs – Mr John Cartwright and Mrs Rosie Barnes – now appears increasingly vulnerable. As for the doctor himself, always the principal ingredient in the party that revolved around his powerful personality, he appears increasingly isolated and politically unimportant.

When the SDP decided to go it alone, he was asked whether or not his party was, in reality, nothing more than a fan club. He replied, in a way that reflected the politician's ego, that his party would only have a few thousand members if that were the case.

Brewers will meet Young today

By Lisa Wood

BREWERS WILL today seek to substantiate to Lord Young, the Trade and Industry Secretary, their dire predictions for the future of the British brewing industry should a Monopoly and Mergers Commission report be implemented.

Lord Young, who has faced widespread opposition to the report in his own party, is not prepared to shelve the central conclusion that change is necessary to remedy a monopoly that acts against the public interest.

However, Lord Young is understood to be willing to listen to the brewers' evaluation of the report's implications, published by the commission in March. Mr Anthony Fuller, head of Fullers, will lead a four-man delegation on behalf of 66 breweries.

Lord Young does not want to be remembered as the Tory minister who destroyed the British pub and is prepared to modify proposals. He is also asking the industry to make its own suggestions for change.

Brewers, who have in a united front mounted an unprecedented newspaper campaign against the report, have forecast that its implementation would slash the number of beer brands sold in the UK and result in the closure of breweries and pubs.

Brewers dispute the commission's analysis of their industry – that a complex monopoly exists, acting against the public interest – and so may find it difficult to present alternative schemes to remedy a situation they do not believe exists.

A trickle of individual brewers, including Wolverhampton and Dudley, the regional brewer, have made specific suggestions. W & D, for example, wants the proposal for pub tenants to be protected under the Landlord and Tenant Act 1954 to be modified.

If the Government did modify the recommendation, it would help to mollify regional brewers and placate a number of Tory backbenchers.

The six largest brewers have been particularly alarmed by the recommendation that no brewer should be allowed to own more than 2,000 pubs. That recommendation is central to the report, which found that the large national brewers controlled 75 per cent of all the beer sold in the UK and 75 per cent of outlets.

BR faces fraud inquiry on civil engineering projects

TRANSPORT police are conducting a fraud inquiry into British Rail's handling of civil engineering projects, the Director of Public Prosecutions' office has confirmed.

A BR official said the investigation had been going on for "many months" but was unable to confirm or deny a report in The Sunday Times that all 12 members of the British Rail Board were to be interviewed by officers investigating allegations of corruption and bribery.

"There has been an investigation into alleged offences in the civil engineering department," the official said. "It is a matter for the transport police, we let them get on with their inquiries."

He confirmed that some BR staff had already resigned or been suspended as a result of the fraud investigation.

A DPP official said: "Police inquiries have been going on for some time into allegations of fraud at British Rail."

The newspaper report said inquiries being pursued in London, the Midlands and Scotland centred on BR's civil engineering projects including track-laying, maintenance, lighting, drainage, refurbishment and rebuilding.

It said a list naming up to 30 BR executives and a senior Conservative MP was discovered by police who raided the London offices of Plasser Railway Machinery, which had sold BR engineering equipment worth millions of pounds.

The report said some names were marked to show that certain gifts and inducements had been offered.

Foreign holidays, weekend visits to top hotels, food hampers, and trips to the directors' box to watch rugby at Twickenham were also itemised in documents found at the company last September, it said.

Areas of greatest housing need 'get least spending'

THE AREAS with greatest housing needs frequently get the least investment in new council homes, according to a report published today.

Nearly four fifths of all new local authority building is carried out by mainly rural, non-metropolitan authorities that can afford to fund the programme by council house sales, it says, but housing needs tend to be concentrated in urban areas.

The report, published in the monthly magazine Housing, has been compiled by the Institute of Housing. It points out that government spending cuts have compelled councils to finance their housing from council home sales.

The report says the practice has led "to a sharp contrast between the extent of council housing activity in prosperous areas where house sales have been high, and depressed areas, where few houses have been sold."

The report gives a warning that local authorities in London have suffered badly, with expenditure on bed-and-breakfast accommodation nearly double the value of current investment in new homes.

The institute urges the Government to use reforms in housing finance proposed under the Local Government and Housing Bill to redistribute resources to councils where the needs are greatest.

Mr Martin Ward, the institute's principal policy officer, said the proposals would give the Government new powers to redistribute spending power on housing.

But he added: "We fear that it will simply reduce the spending power of all authorities and miss the opportunity of ploughing back the money generated by council house sales into building new homes and maintaining existing stock in the areas of greatest housing stress."

Four commercial radio stations given licences

By Raymond Snoddy

THE Independent Broadcasting Authority has pushed ahead with its development of local commercial radio by announcing four new commercial radio licences. The new licences are part of the largest expansion of commercial radio in the UK in recent years.

In Coventry, a VHF/FM station aimed at the ethnic community is to be given to Radio Harmony. In the London borough of Haringey, a second ethnic franchise will be shared between London Greek Radio and WNK Radio. Isle of Wight Radio has won the medium wave/AM franchise for the Isle of Wight and Sunderland Community Radio Association has won the VHF/FM contract for the area in and around Sunderland.

Yesterday's awards are part of a total of 21 "incremental" stations being franchised within the existing broadcasting legislation.

In the longer term, a new radio authority will plan three new national radio networks in Britain and several hundred local commercial stations.

Second director resigns at B&C

MR CHARLES Cary-Elwes has resigned as an executive director of British & Commonwealth Holdings, the financial services group headed by Mr John Gunn.

Mr Cary-Elwes was one of four former colleagues of Mr Gunn at Exco, the money broker, who were recruited to the B&C board in October 1986. B&C later bought Exco. He is the second of the four to leave, following Mr Julian Lee. Of the others, Mr Peter Goldie is B&C chief executive and Mr Paul Myners heads Gartmore, the group's UK-based fund-management subsidiary.

Inflation betting service starts today

By Clive Wolman

STOCKBROKERS, economists and other forecasters and pundits of macro-economic trends will be able to put their money where their mouths are with the launch today of a betting service offering a gamble on what the inflation rate will be over the next year.

IG Index, the London bookmaking firm that specialises in financial bets, is launching the service at a time when the inflation rate has accelerated to 8 per cent, its highest level for seven years. It will accept bets on what the year-on-year increase in the Retail Price Index will be in June, September, December and March of next year.

The likely opening quotes this morning imply year-on-year inflation rates of 6.2 per cent in December and 5.85 per cent next March. The quotation for December will probably be 6.0 to 6.4.

Thus someone betting on a sharp fall in inflation will make money for every 0.1 percentage point the actual rate in December is below 6.0 per cent. A pessimistic punter will make money for every 0.1 percentage point the rate is above 6.4 per cent.

Conserving the union by debate

James Buxton on the avoidance of a Scottish siege mentality

SCOTLAND'S Conservatives, that threatened minority that holds power, left their party conference in Perth last week with conflicting messages churning in their minds.

Mrs Margaret Thatcher on Friday night reaffirmed in lyrical - rather than threatening - terms her commitment to the union of the United Kingdom. Earlier, however, her Scottish Secretary, Mr Malcolm Rifkind, had welcomed "constructive debate" about the future of the union - provided it involved other parts of the UK and was not based solely on "sectarian nationalism."

Mr Michael Ancram, one of Mr Rifkind's former ministers, publicly raised the spectre haunting the conference of the Scottish Conservatives being wiped out altogether at a future general election. At a fringe meeting he put forward complex proposals for adjusting responsibilities between London and Edinburgh to make the union more attractive to Scottish voters.

Mr Michael Forsyth, the Thatcherite Scottish Education and Health Minister, claimed that the Tories were winning the argument in Scotland over his radical education reforms.

But his boss, Mr Rifkind, told the conference it was time for a "modest period of consolidation." The party had to stop appearing insensitive to Scottish feelings, talk to its critics and take on board suggestions for amending their ideas.

Malcolm Rifkind: a more conciliatory approach

Mr Rifkind was highlighting the new approach he began some weeks ago. Suddenly he is taking a more conciliatory attitude towards the predominantly Labour local authorities, forgiving them what would previously have been called overspending and inviting their participation on issues such as urban renewal from which the Government had, until now, pointedly excluded them.

He has tried to preserve Scotland's remaining coal mines by pushing the South of Scotland Electricity Board into agreeing to buy from British Coal - in spite of discouraging economics.

As Scotland's advocate in Whitehall, he claims credit for the Monopolies and Mergers Commission blocking of Elders IXL's takeover bid for Scottish & Newcastle, although the decision was officially based on competition grounds.

Last week he disclosed that he had succeeded in getting the Treasury to pay up to £250m a year to reduce business rates in Scotland, so that they conformed with those in England. But the business community's delight was soured by the simultaneous news that the Government is to preserve unloved Prestwick airport's monopoly of Scottish transatlantic flights - widely perceived as a blatant attempt to help Mr George Younger, the Defence Secretary, to keep his seat at Ayr, where his majority is only 182 votes.

Many Scottish Conservatives are relieved that the Government may be modifying its policy of imposing Thatcherism on Scotland willy-nilly - even Mrs Thatcher at Perth painted some of her policies, notably on the National Health Service, in soft colours.

Mr Forsyth's radicals can, however, console themselves that most of the controversial measures, with the exception of schools' opting out, have already been enacted and now need time to take effect in the run-up to the general election.

The fact that Mr Ancram has proposed changes to the union brings the party into the raging constitutional debate on something like its own terms. But it hardly seems enough to thwart the continuing surge of nationalism - the Scottish National Party stands at about 27 per cent in the opinion polls compared with the Tories' 20 per cent, and is hoping to snatch Glasgow Central from Labour at the forthcoming by-election. Elsewhere, desire for a devolved Scottish assembly appears to be intensifying.

As the Tories go into the European elections, defending two of the eight Scottish seats, few believe the revamping of the central office in Edinburgh after the 1987 general election has done much good.

Only as the conference ended on Friday was it allowed to hear from Professor Ross Harper, an attractive and well-known figure in Scotland who is the new president of the Scottish Conservative and Unionist Association. He declared that he had no time for the faintheartedness that evidently pervades much of the party, and rang out the famous bell that Lord Hailsham tolled in 1957 to launch another Conservative revival.

Shopping centre openings at new high

By Paul Cheeseright, Property Correspondent

MORE shopping centres were opened throughout Britain last year than in any previous year. But most of the space, in the form of retail warehouse parks and individual superstores, was outside town centres.

Hillier Parker, chartered surveyors, said that 10.3m sq ft of new shopping space opened in 1988, or 9 per cent more than the previous peak year of 1976. In 1987, 8.15m sq ft of new space opened. Over the past 20 years, more than 101m sq ft of shopping space has been built.

The number of planned shopping schemes suggests, according to Hillier Parker, that in each of the next three years there will be even more new shopping space opened up than last year.

The sharp increase in the availability of shopping facilities is thus taking place at a time when consumer spending has steadied and retailers have come under pressure.

Developers, especially of town centre schemes, waited for strong evidence that rents were rising before deciding that new schemes would be financially worthwhile. The delay, as well as the fact that it takes two or three years to complete town centre schemes, partly explains why many developers missed the surge in consumer spending.

But because retail property has consistently provided high returns, in spite of the ebb and flow of consumer spending, there has been a continual flow of new projects planned or about to start.

Over the past few days:

- Bredero Properties and Citygrove received planning permission for the £100m redevelopment of the Solihull town centre with 220,000 sq ft of shopping space.
- In Truro, Carrick District Council started talks with Sun Alliance Group Properties over a new shopping scheme for the town centre.
- British Rail Property Board called in a team of consultants to advise on retail and other development at Waverley Station in the centre of Edinburgh.

Allied Irish may grow by buying building society

By David Barchard

ALLIED IRISH Bank is considering acquiring a UK building society as a way of broadening its customer base in Britain, according to Mr Gerry Scanlan, its chief executive.

"We are looking for an acquisition with a branch network and a wide range of retail outlets." Mr Scanlan said. "Building societies, with their customer recognition, range of products, and expertise would be a natural linkage for us, though we have considered several other options recently."

Mr Scanlan said that so far AIB had not contacted societies directly about a possible takeover.

Under the Building Societies Act, a takeover of a society by a company is only possible after a ballot in which half the members of the society take part, and at least three quarters of voters are in favour.

Last month's landslide vote by Abbey National members in favour of flotation easily met those requirements. Many financial institutions had previously believed that it would be difficult or impossible to do so.

Members of a society being taken over would be entitled to a cash share of its reserves, likely to be worth several times the 100 free shares Abbey National will give its members on flotation in July. Those are expected to be worth around £180.

The takeover would also have to be approved by the Building Societies Commission.

However, Allied Irish is only one of several foreign institutions stalking building societies. Citibank and National Australia Bank both said last week that they were interested in enlarging their distribution networks in the UK.

Mr Ken Hodson, manager of credit at National Australia Bank, said that his bank was engaged in "on-going discussions" with interested parties. French, German, and Japanese banks are also known to have expressed interest in buying building societies if the opportunity arises.

- Directors and officers of building societies are advised to consider taking out professional indemnity insurance, in a report published today by Goulden, the City Law firm.

The report, commissioned by Special Risk Services, specialist insurance brokers, says that directors and officers of societies are increasingly likely to find themselves targets for legal actions by aggrieved customers.

Councils will report on competition for contracts

By Richard Evans

CONCERN about monitoring procedures for local-authority competitive tendering has led the Department of the Environment to set up a system requiring councils to report every six months on the award of contracts.

The procedures, about to be finalised in negotiations with local-authority associations, will enable ministers and officials to identify anti-competitive tendering practices, monitor the success of the policy and identify savings.

In spite of the high level of complaints received on tactics of some councils, the Public and Local Service Efficiency Campaign reports in its latest survey published today that competition is producing dramatic savings for ratepayers, whether work is awarded to council workers or to private contractors.

The largest new saving comes from the Royal Borough of Kensington and Chelsea in London, which will save over £1.5m a year from contracting out its refuse collection and street cleaning services. There are a record 42 private refuse collection contracts across the country.

More than 50 complaints involving councils of varying political complexion have been referred to the department, and some have amended procedures to avoid the potential exercise of ministerial powers to close down direct labour organisations.

The first formal warning under the 1988 Local Government Act was issued by Mr Nicholas Ridley, Environment Secretary, to Wirral Borough Council last month. Mr Ridley listed 21 contracts that the department considered had been awarded unfairly to the direct labour organisation after cheaper private bids had been received.

The Labour-led Birmingham City Council has been accused of anti-competitive practices in its tender for 364 different council buildings. The authority issued a 40 lb stack of documents, 2 ft high with 25 separate volumes. Cleaning for all 364 buildings was to start on the same day.

The documents also contained financial penalty clauses that bore no relationship to the cost of cleaning premises. Contractors would lose a week's payment, for example, if one lavatory was not cleaned satisfactorily.

Southampton City Council is demanding a performance bond of £400,000 from any contractor bidding for the city's street cleaning contract.

Conservative-controlled South Kesteven District Council in Lincolnshire has reversed a decision to return refuse collection and street cleaning to its workers after intervention by the department. The council had proposed to give the contracts to the second-lowest bid from the direct labour team.

DoE officials believe some teething troubles stem from inexperience of tendering in local authorities rather than malice, and the new procedures are designed to improve expertise.

Compulsory competitive tendering is due to be introduced in phases from August 1 this year and covers the local authority services of refuse collection, street cleaning, school catering, cleaning buildings, and ground and vehicle maintenance.

Consumers' Association seeks minimum 5% pensions rise

By Eric Short, Pensions Correspondent

THE Consumers' Association is calling on the Government to force company pension schemes to increase pensions by at least 5 per cent a year, or by the rise in the retail prices index.

The demand is one of the central features of the association's response to a report by the Occupational Pensions Board on protecting pensions, which sets out several proposals for improving the protection of employees and pensioners in company schemes.

The association generally welcomed the report, but felt that in many instances it did not go far enough.

The OPB introduced the concept of a limited pension increase, under which pensions would rise with the RPI up to a maximum of 5 per cent. However, the recommendation would not be a statutory requirement unless the scheme were being wound up.

The association feels that the proposal should be made statutory, that 5 per cent should be regarded as a minimum increase, and that schemes should match inflation in full wherever possible.

That demand is at odds with the views of the pensions industry, which opposes legislation. Many managers feel that such proposals would be too onerous and that they might result in many employers terminating their company pension arrangements.

The OPB proposal for a pensions tribunal is warmly welcomed by the association. But it rejects the board's idea that pension complaints should first be screened by an information and conciliation body before proceeding to the tribunal.

It feels that direct access to the tribunal should be unrestricted, at least for a trial period, and that complainants should be represented, if they require it, without charge.

Finally, the association considers that the OPB report does not go far enough in ensuring that trustees understand their role and are competent to fill it.

Whereas the board recommended a brief statement of the principles of trusteeship to be provided to all new trustees, the association wants full training before trustees take up their duties.

High pound and interest rates curb textile sales

By Alice Rawsthorn

THE TEXTILE industry has reached "another crossroads" in its development, according to the British Textile Confederation, as it struggles against difficulties caused by the strong pound and higher interest rates.

Jobs were lost and factories closed in the industry last year because of the rapid rise in imports, a slowdown in exports and erratic demand.

There were about 15,000 job losses in textiles in 1988. The level of employment in the industry, which is concentrated in its historic heartlands of the north and the Midlands, fell to 260,000. The index of textile production fell by 1 per cent in 1988, its first fall for five years.

The competitive climate has intensified the pressure on the output and profitability of individual companies. It has catalysed a series of mergers and amalgamations within textiles, culminating last week in the announcement of Coats Viyella's £395m bid for the Tootal group.

Mr Barry Spencer, president of the BTC, said in the confederation's annual report that the competitive conditions, combined with the rise in interest rates, had put Britain's textile companies "back on the defensive."

The BTC also expressed concern about unfair competition in world textiles such as import bans, government subsidies and dumping by other countries.

The British textile industry suffered severely in the economic recession of the early 1980s. It hauled itself back to stability in the mid 1980s, thanks to a combination of radical rationalisation and increased investment.

Recent advances in textile automation have enabled British companies to improve their competitiveness against the emerging industries of south-east Asia by cutting costs and increasing efficiency.

But the cost of investing in automation is high. The recent increase in interest rates has inhibited the industry's ability to invest. Capital expenditure in textiles fell in 1988 to £380m.

CBI/FT DISTRIBUTIVE TRADES SURVEY

Retail sales growth slows down again

By Peter Norman, Economics Correspondent

A RENEWED slowdown in the rate of retail sales growth in April and reduced expectations of a pick-up of retail sales this month are highlighted in the Confederation of British Industry/Financial Times distributive trades survey published today.

The survey, which was carried out between April 17 and May 4, suggests that the signs of robust retail sales growth reported in the CBI/FT survey a month ago were an upward "blip" in an otherwise declining trend.

The accompanying charts, which record the monthly balance of retailers and wholesalers reporting increases in sales and orders compared with a year ago minus those reporting falls, show a broad slowdown in growth rates over the past 10 months.

That reflects the gradual impact on demand of the step-by-step increase in British bank base rates to their present 13 per cent level between the middle of last summer and late November.

Among the 319 retailers polled, grocers reported the strongest sales growth while off-licences and other sellers of non-essentials such as furniture and carpets, reported lower sales. The latest survey found that the number of retailers reporting an increase in sales compared with a year ago slipped to 53 per cent of the sample in April from 56 per cent in March while the number reporting a decline rose to 23 per cent from 21 per cent.

The resulting balance reporting higher sales was 30 per cent in April, compared with 35 per cent in March. The April balance, while virtually unchanged from the 31 per cent figure reported in April last year, was well below the the balances of more than 50 per cent reported for most of 1988. It was higher than this year's low January and February balances of 24 per cent and 12 per cent respectively.

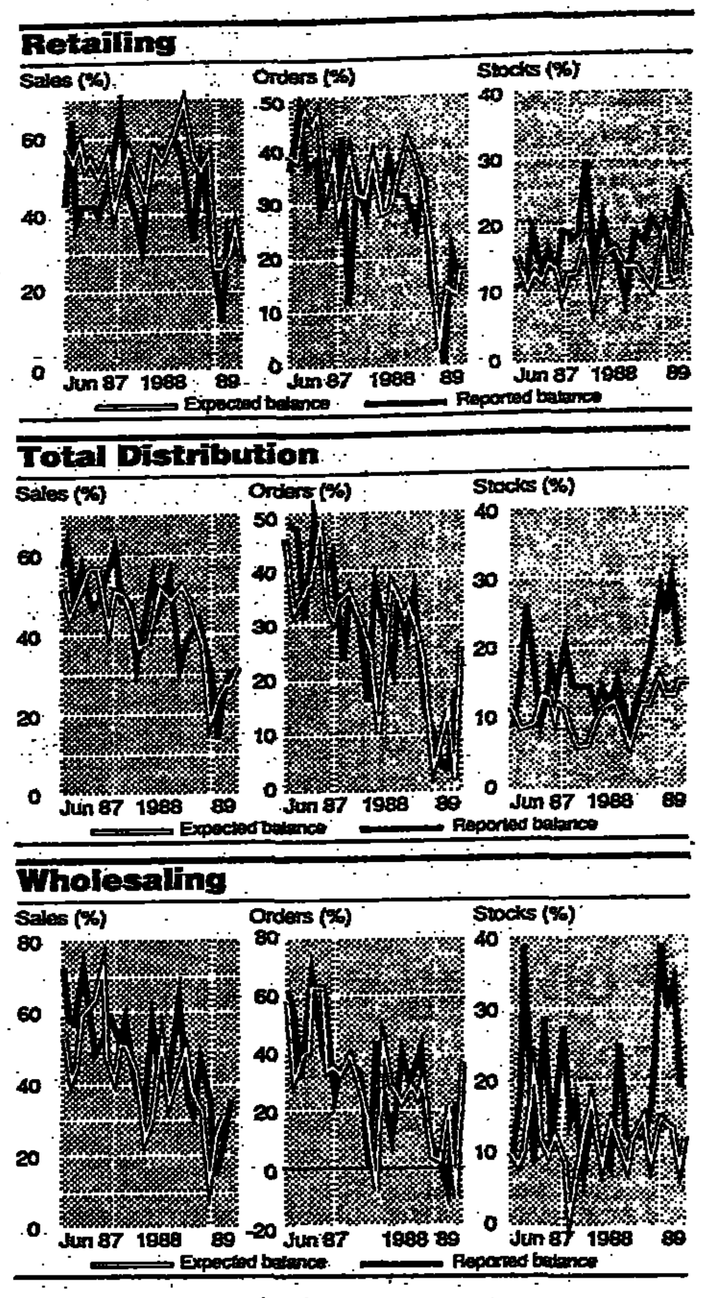
The balance of retailers expecting an increase in sales volumes compared with 12 months earlier fell to 28 per cent in May from 36 per cent in April. The survey showed that growth in orders placed by retailers slowed in April by a little more than had been expected, while stocks were run down last month in relation to expected sales.

Among the 153 wholesalers covered, the balance reporting a year-on-year increase in sales rose to 35 per cent in April from 22 per cent in March, while those expecting higher sales this month increased to 41 per cent from 24 per cent in April.

Orders placed by wholesalers were higher in April than a year ago after having been below 1988 volumes in March. Like retailers, wholesalers ran down stocks in relation to expected sales last month and a further run-down of stocks is expected this month.

The motor trades section of the survey was the only one to show negative balances among the respondents. The only good news reported by the 52 motor traders in the poll was of an increase in sales volumes in April compared with a year earlier, after a drop below 1988 volumes in March: 35 per cent of traders said sales were up last month, compared with 28 per cent reporting a decline. That resulted in a positive balance of 7 per cent while in March the survey had revealed a negative balance of 13 per cent.

Otherwise, a balance of 10 per cent of traders expect sales will drop in May and 7 per cent intend to place lower orders with their suppliers this month. Stocks were high in relation to expected sales in April.



Merseyside beats jobs forecast

By Ian Hamilton Fazey, Northern Correspondent

MERSEYSIDE businesses took on more labour than expected for the third quarter running in the first three months of 1989, according the latest economic survey of Merseyside Chamber of Commerce and Industry.

That was in spite of a sharp increase – from 2 per cent to 10 per cent – in the proportion of companies working at less than 60 per cent capacity and the fact that a fifth used only 60-80 per cent of their capacity, a rise of 6 percentage points on the previous quarter.

However, many of those doing well continue to do better: for the fifth successive quarter, the largest bulk (46 per cent) reported a rise in domestic orders over the previous quarter.

Only 13 per cent reported a fall, although a slowing down may be indicated, since 41 per cent report static order books compared with 36 per cent for the third and fourth quarters of last year and 29 per cent a year ago.

Merseyside's is among the more important of the regional surveys conducted by chambers of commerce, as it covers the biggest peripheral sub-region of northern England with the most severe male unemployment: over 20 per cent.

At the end of last year, 26 per cent of companies said they would shed labour before March, but only 14 per cent did so. Just over half stayed the same size, while 35 per cent took on more people, compared with 32 per cent that said last year that they would.

Turnover is expected to improve further among 70 per cent of businesses.

Matching jobless people to jobs remained difficult, with 43 per cent of companies reporting a lack of job applicants with the right qualifications. Skilled professionals were the most scarce.

National Savings repays £81m

THE National Savings made a net repayment to the public of £81.7m in April, writes David Lascelles, Banking Editor.

For the first time, the state-owned savings organisation presented a net outflow of funds in a positive light in the latest monthly statistics published yesterday, reflecting the Government's aim of winding down the national debt.

The National Savings said yesterday that it hopes to encourage the repayment of more liquid holdings, in particular fixed-interest certificates.

During April, savers paid in £472m, but withdrew £732.9m, including interest, a net withdrawal of £260.9m. New deposits, with interest, amounted to £651m, but after withdrawals of £732.9m, the National Savings' net repayment amounted to £81.7m, compared with £72.5m in March.

Biodegradable cleanser sales increase

ENVIRONMENTALLY harmless washing and cleaning products are becoming increasingly popular with consumers, according to a survey published today by the British Health Food Trade Association.

Sales of biodegradable cleansers have risen fourfold to fivefold in a year, the survey says.

The cleansers include washing powder, fabric conditioner, washing-up liquid, dishwasher products and non-chlorine bleach. Health food stores are leading supermarkets and grocery stores by stocking a much wider range of the "green" products, the survey found.

Such cleansers break down quickly and safely, causing minimum pollution, and are based on natural materials such as coconut oil.

APPOINTMENTS

Standard Chartered Merchant Bank chief

■ Sir Leslie Fletcher has retired as chairman of STANDARD CHARTERED MERCHANT BANK and SCIMITAR ASSET MANAGEMENT and has been succeeded by Mr Patrick Macdougall in both roles. Mr Macdougall continues as chief executive of SCMB.

Lord Pennock has become deputy chairman of Standard Chartered and Mr W.C.L. Brown deputy chairman of Standard Chartered Bank.

■ At ROYAL LIFE HOLDINGS Mr Hughes has become company secretary. He was previously finance manager at Royal Insurance.

■ The FINANCIAL INSURANCE GROUP has appointed Mr Edward A. Tilly as its chief executive. He joins from Legal & General where he held the positions of managing director, financial services, managing director, international, and life and pensions director.

■ PORTON INTERNATIONAL has made Lord Chilver of Cranfield a non-executive director. He is chairman of English China Clays and Base International Holdings.

■ Mr Alan Kennedy has been appointed a non-executive director at WILLIAM DAWSON (HOLDINGS). He was chief executive of the Thomas Cook Group. The board has also appointed the following to additional positions: Mr Bryan Ingleby is chairman of Alan Armstrong and McGregor Subscription Services Inc and president of Dawson France; Mr Paul Evan-Cook becomes chairman of Quality Books Inc and a director of Surridge Newsagents and Surridge Dawson and Mr Peter Brown is made chairman of Surridge Dawson Holdings, Surridge Newsagents and Surridge Dawson. He is also appointed chairman of the executive committee of William Dawson (Holdings).

■ BCMB GROUP, the holding company for the British & Commonwealth Merchant Bank interests, has appointed Mr John Rayman to the board as director of human resources. He was personnel director.

■ NEL BRITANNIA, the insurance arm of Britannia Arrow, has appointed Mr William F Ramsbotham to the board. He is director of intermediary sales at MIM Britannia Unit Trust Managers.

■ The newly-established Kemira Oy subsidiary, KEMIRA CROPCARE, has appointed Mr John Cope as its managing director. He was field sales manager at another Kemira company, Agtek.

■ COMET has appointed Mr David Levitt as its marketing director. He joins from Granada TV Rental where he was marketing and purchasing director.

The CHUBB SAFE EQUIPMENT COMPANY has appointed Mr Frank Morris *(above)* as its export director. He was export manager.

■ At HUGHES FOOD GROUP Mr David Soffe and Mr Hugh Mellor have been made non-executive directors. Mr Soffe was chairman of General Foods UK and Mr Mellor group finance director of Pickfords Group, BRS Group and managing director of Freight Computer Services, a division of National Freight Consortium.

■ Mr Allen G Hendry has joined the board of F R GROUP with special responsibility for the activities of four of the group's operating companies, Hymatic Engineering, WES Group, Stanley Aviation Corp and Carleton Technologies Inc.

■ Mr Michael C W Wildy has become a director of SHIRES INVESTMENT. He was finance director at Booker until 1984. Mr Ronald M Clarke is to retire at the annual meeting in June.

■ Mr E.W.J. Taylor has retired as company secretary of LONDON SCOTTISH BANK. He is succeeded by Mr Alan F. Toogood, former finance director of James Stewart & Sons.

■ TRANS RISK SERVICES, the specialist transport division of the Minet Group, has appointed Mr Gordon Sapstead to the board.

■ Mr David Taylor has been made group finance director of WATKINS, the building and refurbishment group. Mr Colin Simmonds has become managing director of its operating subsidiary, VAT Watkins.

■ GUY SALMON CAR RENTALS has appointed Mr Colin Brightwell as its financial director. He joins from the parent company, Mercantile Credit, where he was group accountant.

■ Mr R. Trustram Eve, managing director of J.R. Philips & Co, has been appointed managing director of BUSINESS IN THE COMMMUNITY.

■ Mr Dominique Hue has been made a director of WAGON INDUSTRIAL HOLDINGS and chief executive of its office equipment division. Mr Hue has been managing director of Wagon's subsidiary company Vinco MT-S.A. for the past five years.

■ Mr Michael Cornford has joined CHEMICAL BANK in London as a managing director and treasurer in charge of its London dealing room. He was previously a managing director at Security Pacific National Bank in London.

■ C E HEATH has made the following group appointments. At C E Heath (East Anglia) Mr A.W. Eades has become a non-executive director and Mr B. Walters has joined the board.

C E Heath (Tyneside) has appointed Mr G. Palfreeman as its deputy chairman, Mr B.J. Dunn as managing director and Mr A.C. Tickner a director.

■ Mr Dennis C. Loretto is to join the board of CORNHILL INSURANCE on July 1. Mr Loretto, an assistant general manager, home division, will also take over as managing director of British Reserve Insurance Co. Mr David C. Fairmaner, the deputy general manager and director of Cornhill and its subsidiaries, will retire on June 30. He will remain as a consultant.

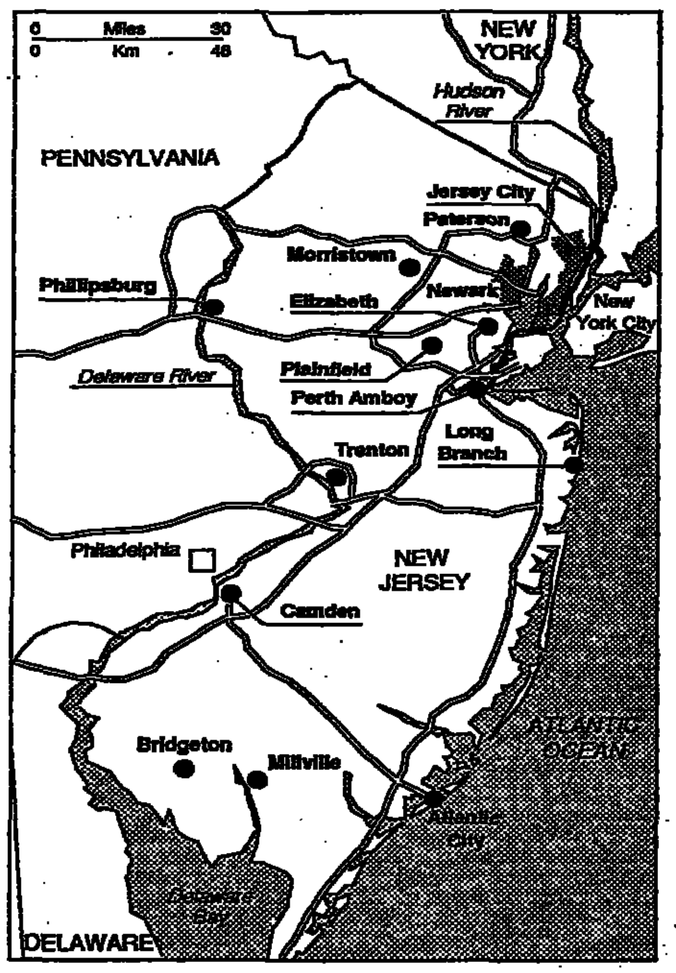
■ LOWNDES LAMBERT GROUP (HOLDINGS) has restructured the board of Chandler Hargreaves which it acquired in April. Mr Richard Shaw has become chairman, Mr John Ougham, deputy chairman, Mr David Margrett, and Mr Stewart Wilson, directors, and Mr Peter Ray, company secretary. Mr Stephen Drake remains chief executive and Mr John Burrows and Mr Ian Walker continue as directors. Mr Roger Bramble has retired from Chandler Hargreaves.

■ ALEXANDER HOWDEN LTD has made the following appointments: Mr Michael Beard has become managing director of Marine & Energy. Mr Nigel Jarvis has been appointed a director at Marine & Energy. Mr Peter Birley is made managing director, data processing equipment, services division and Mr Paul Battagliola has been appointed director, services division.

■ Ms June Evans has been appointed sales director of ENIGMA DESIGNS.

FINANCIAL TIMES SURVEY

With prosperity has come a sense of identity and the emergence of a fully-fledged economy. But new problems have also arsen — solutions to which, says Roderick Oram, may be achieved by the redirection of growth into old cities and suburbs.



Dairy farmland in Sussex, New Jersey

KEY FACTS

Area	7,836 sq miles (20,295 sq km)
Population	7,719,906
State capital	Trenton
Largest city	Newark (1980 pop 330,000)
Principal airport	Newark International

All data 1988, unless stated

EMPLOYMENT	
Services	1,279,785
Manufacturing	675,699
Transport/communications/utilities	272,180
State and local government	465,194
Federal government (civilian)	77,924
(military)	54,194
Agriculture	16,397

CONTENTS

State of New Jersey

Rewriting the dream

IT HAS taken New Jersey 200 years or so, but thanks to explosive growth during the 1980s, it is at last starting to function and feel like a multi-faceted economy.

But the strain on New Jersey resources — physical and human — is forcing the state government into a radical experiment. Through state planning it is trying to reverse the traditional outward tide of American urban development. It wants to redirect it back into the old cities and suburbs.

The obstacles of politicsand lifestyle are enormous. If it succeeds, the new patern would break, once and for all, an economic relationship that has dogged New Jersey since colonial times.

The state has seemed to exist to serve up goods and people to its giant metropolitan neighbours — New York City to the north-east, and Philadelphia to the south-west. It earned a good living but neverits own identity. Even today, the state is still, to many Americans, only an endless suburb. "So, you live in New Jersey. Which turnpike exit?" they ask.

Two old sayings summed up the subservient relationship. New Jersey was a cask tapped at both ends; a valley of humility between two mountains of conceit.

The state's doubts and difficulties have piled up in the post-war years. New Yorkers have been pouring out from their city into vast new suburbs for more than 40 years. Riots and deep decay brought New Jersey's old industrial towns to their knees in the 1960s and 1970s. Big chunks of its manufacturing base, one of the oldest and largest in the nation, withered and died during the 1970s as global pressures forced US industry to restructure.

Pell-mell growth this decade, though, has redressed many of the imbalances, and helped New Jersey evolve rapidly into a more mature, full-service economy, less dependent on its neighbours. "You don't have to run to New York or Philadelphia any more," said Dr Adam Broner, director of economic policy for the state government.

With prosperity has come a new sense of identity, though self expression remains a problem. New Jersey, still lacking a state-wide newspaper or network television station, relies heavily on the media of New York and Philadelphia. Genuine Jersey spokesmen run the gamut from The Boss, Bruce Springstein, some of whose songs sentimentalise his suburban "Joisey" roots, to the Governor, Tom Kean, who delivers in more patrician Jersey tones the soft-sell slogan, "New Jersey and you . . . perfect together."

Quite why the state has blossomed is hard to pinpoint. "I can come up with a hundred small reasons why New Jersey has done so well, but it's hard to find five big ones," said Mr Peter Radford, a vice president and regional economist at National Westminster Bank USA.

Certainly, the rosy big picture has helped. The nation is still enjoying its longest post-war expansion; New York City has been a powerful engine for regional growth. The state forms part of the megalopolis, but is a cheaper and more accessible place to do business. Nonetheless, economists such as Dr Broner and Mr Radford believe New Jersey has generated internally a lot of its own expansion.

Some credit also goes to politicians. Governor Kean, in power since 1982, is the latest and perhaps the most effective in a long line of pragmatic men in the office. In a "home rule" state, where political power remains deeply entrenched in local communities, the governor is the only official elected state-wide. Thus, more than in many states, New Jersey's governor plays a key role in setting policy goals and building support for them.

A governor can do little more than help his state catch the national or regional economic wave. But, as with surfing, it helps to be skilled in spotting the right wave. Governor Kean, an ardent advocate of supply-side economics, pushed through, for example, a more pro-business tax structure and a comprehensive initiative on research and development.

Nowhere was stimulus more necessary than in New Jersey's manufacturing sector. A bastion of old heavy industries, it employed nearly 900,000 in its heyday in the late 1960s. It was one of the most heavily industrialised states in the nation, with a third of its workers in manufacturing.

But as mature industries, such as metal-working, contracted sharply during the 1970s, catastrophic job losses hit the state, particularly its old towns such as Newark and Paterson. Today, fewer than 675,000 people (18.5 per cent of the workforce) are in manufacturing, in line with the national profile.

The sector is still shedding about 1,000 jobs a month, but manufacturing output has risen rapidly, most notably in high-technology, world-competitive industries. New Jersey ranks, for example, number one in the US in pharmaceuticals, two in chemicals and seven in petrochemicals. It stands only 10th in electrical and electronic equipment, but within that sector it has a leading position in telecommunications.

While manufacturing retreated to a narrower, more sophisticated base, services took on a life of their own. Of more than half a million jobs created in New Jersey between 1982 and 1987, 40 per cent were in the service sector. It is now the largest in the state economy, offering people a quality and breadth of professional skills that they used to have to seek in New York City or Philadelphia.

Through most of this decade, New Jersey's workforce has grown twice as fast as New York City's and faster than the nation's as a whole. In some recent years the state has had the lowest unemployment rate in the country. Despite the trend from well-paid manufacturing jobs to less lucrative service jobs, per capita personal income has grown to become the second highest of any state and is 30 per cent above the national average.

Prosperity has brought a new set of problems, though. Growth slowed last year, partly because the state began running out of low-wage workers. A decade of rapid expansion is badly clogging roads, straining public services, making housing too expensive for some, damaging the environment and fuelling a fierce debate over land use. The tide of expansion has engulfed some areas such as Princeton and the northern suburbs, but barely lapped at the old inner cities.

Most other urban areas across the country can reel off a similar list of ailments. New Jersey is one of the few states, though, to try to tackle them by completely redirecting growth patterns. "It is a laudable but unenviable task," says Dr Alan Rosenthal, director of the Eagleton Institute of Politics at Rutgers, the state university.

The legislature set up the state planning commission in 1986 to devise a state-wide framework for development. In its preliminary plan, unveiled last November, the commission warned not only of the visible impact of unchannelled development, but also the "hidden but virulent effects of our present growth patterns".

For more than 40 years, New Jersey's urban areas have been sprawling ever farther down its main arteries, to form a continuous patchwork of communities. No other state has such a big chunk of its people (89 per cent) living in towns. Yet a low-density, pervasively suburban population makes for costly public services and rapid development of rural land.

The infrastructure is already inadequate. Real estate development was halted in 49 areas in July 1988, for example, because sewage plants were

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FOREIGN INVESTMENT: NatWest's acquisitions make it the state's fourth-largest bank, as . . .

Planners focus on finance and services

NEW JERSEY has a higher proportion of its population employed by foreign-owned companies than any other state.

While that still puts the 175,000 employees of foreign companies at only 5 per cent of the workforce, a relatively paltry figure by international standards, it gives New Jersey longer and deeper experience than most other states in dealing with investors from overseas.

New Jersey's appeal for foreign investors is essentially the same as it is for US-based companies: the strengths of the state's international businesses reflect the traditional strengths of the economy as a whole.

The first, and still the biggest, major group of foreign investors in New Jersey has been the pharmaceutical companies, whose main competitors in America have been such Jersey-based firms as Merck, Squibb, Schering-Plough, Warner-Lambert and Johnson & Johnson.

Electronics and telecommunications companies made up the next tier of inward investors, attracted by the unequalled research and manufacturing infrastructure created by the presence of AT&T and its Bell Labs.

Thus, the state's biggest foreign-owned business is Hoffman-LaRoche, with North American Philips next. In fact, Roche, which employs almost two-thirds of its 12,000 American workers in New Jersey, is a bigger state employer than Merck, even though Merck is headquartered in Rahway and is the world's largest drug company. Only 15 per cent of Merck's 30,000 US employees work within the state, placing it well down the list of New Jersey employers. Behind Roche and Philips, the biggest foreign industrial investors are Unilever, BASF, Hoechst, Ciba-Geigy and BOC.

All these are companies with many thousands of employees and long histories and roots in New Jersey. More recently, the trends in foreign investment have reflected the broader changes in the US economy – the flood of consumer imports into America and the rapid expansion of the financial sector and the ever-increasing emphasis on Far Eastern, rather than European trade.

The biggest recent increase in foreign-owned employment has been attributable to the expansion of National Westminster USA, now the fourth-largest bank in New Jersey. NatWest's growth, of course, has been achieved by acquisitions, rather than the green-field investment which is much dearer to the hearts of local politicians, trade unionists and businessmen. But even when it comes to brand new investment, planners are focusing their attention increasingly on financial and service operations, hoping to benefit from the state's proximity to New York.

A series of enormous construction and urban reclamation projects, along the west bank of the Hudson river facing Manhattan, has helped to attract large numbers of foreign financial and trading companies. Foreign companies have been among the most sought-after tenants for the new developments, and state officials were delighted last year when Bank of Tokyo decided to move 400 of its back-office jobs to a new $50m computer centre in the Harborside Financial Centre, on the Jersey City waterfront.

These are projects of the kind that New York is increasingly determined to keep on its side of the Hudson River. In order to compete, the New York City government is using the whole armoury of inducements, such as local tax abatements and exemptions from zoning requirements. And local real estate specialists admit that some of the steam has gone out of the New York relocation boom since office rents in Manhattan started declining after the stock-market crash of 1987.

However, the gap between New York and New Jersey remains wide, in terms of taxes, rents and local living costs. The long-term movement of jobs towards New Jersey is therefore expected to continue. And foreign businesses, which tend to follow such trends rather than lead them, look like becoming even more important employers in New Jersey's service and financial sectors.

Apart from financial services, pharmaceuticals and electronics, New Jersey offers the most obvious locational advantages for foreign distribution businesses. With the two biggest ports on the Eastern Seaboard – the Port Authority of New York and New Jersey, on the east; and the 135-mile-long Delaware River Port to the south – New Jersey sits astride the interstate highway system and is served by a dense network of long-distance railroad lines.

All this has made the state the natural US entry point for import merchandise from Europe. Adding in the proximity of America's most important commercial, financial, media and communications centre, in Manhattan just across the Hudson River, it is hardly surprising that many of the largest European exporters to the US have chosen to put their US headquarters in New Jersey.

Among the European firms which run their US operations from the state are BMW, Mercedes, Jaguar and Volvo, in addition to many chemical, electronics and telecommunications companies, large and small.

The same locational advantages have not been quite as potent in attracting the US headquarters of Japanese and Asian businesses, most of which have traditionally been based in Los Angeles, Oakland and other west-coast ports.

Even as the attention of the American public and politicians continues to move towards trans-Pacific, rather than trans-Atlantic, trade, New Jersey officials recognise that the state's future will continue to be bound up with Europe. Accordingly, the state plans to establish an office of investment and trade development somewhere in Europe this year. The European countries the state is targeting, include Switzerland, Germany, Italy and Israel.

At the same time, however, the New Jersey Department of Commerce has been making a major effort to attract Asian companies, not only from Japan but also from Korea. While most Japanese firms, including the three leading car manufacturers, have already put down roots in California, New Jersey officials believe they may be able to attract their east-coast marketing and distribution headquarters to the state.

Accordingly, in its 1989 budget, the state's inward investment programme, plans to allocate 40 per cent of its time and money to the Far East, and another 15 per cent to cultivating Japanese companies in California. Among the Asian businesses that currently have North American or East Coast headquarters in New Jersey are Toshiba, Subaru, Samsung, Sharp and Brother.

Anatole Kaletsky

BANKING

'Some will get bruised'

THE AGGRESSIVE move by National Westminster Bank into the already heavily competitive banking market of New Jersey reflects the enormous business potential that the state offers to financial-services companies.

Natwest agreed to buy First Jersey National Corp in August 1987 for $820m, which was more than twice book value; and it announced its purchase of Ultra Bancoporation in February, for $282m.

A couple of salient economic facts help to explain the attraction. In March, the state's unemployment rate was 3 per cent, significantly lower than the national rate of 5 per cent.

In 1978, the state's per capita income outstripped the national average by 14 per cent. In 1988, that margin had increased significantly to 38 per cent, with per capita income in New Jersey at around $22,000 and the national average at $16,000.

This makes the state the second highest in the US in terms of personal income. Coupled with the fact that this is the most densely populated state in the country, there are rich rewards for retail banking.

There is also a wealth of corporate clients. According to United Jersey Banks, one of the largest commercial banks in the state, at least 50 per cent of Fortune 500 companies have their corporate headquarters, or at least an operation, in New Jersey, which is also home to more than 1,000 foreign firms.

New Jersey is the ninth largest banking market in the US. In 1988, commercial bank deposits totalled $66.7bn, and commercial bank assets in the state grew at a rate of 12 per cent to $85bn.

Mr William Knowles, chairman of National Westminster Bank USA, sums up the views of many who eye New Jersey, as regulations barring inter-state banking are gradually loosened and the economy is forecast to remain robust.

"New Jersey is a very good banking market," he said. "It has achieved good growth, the economy is highly diversified and there is a very sizable number of middle-market companies which are the bread and butter of our business. We didn't want to tiptoe into this market: we wanted to buy a significant share."

The two acquisitions announced by NatWest USA give the bank a considerable presence in New York and New Jersey, with 285 branches and around $20bn in assets.

The 1980s have seen a wave of bank mergers within New Jersey and across the border with banks in Pennsylvania, which have created large institutions. These major players – such as First Fidelity, Midlantic Banks and United Jersey Banks – at the same time face fierce competition from many smaller, community banks with long relationships in different areas of the state.

There is also a head-to-head contest in the sale of financial services and instruments with the major securities houses that have substantial retail networks in the state.

Many now question whether New Jersey can support many more banking entrants, given that the national economy is slowing and that the state has chartered new banks in the last five years at a rate not seen since 40 were chartered by the Department of Banking between 1970 and 1975.

Mary Little Parell, Commissioner of the New Jersey Department of Banking, does not believe that the state is overbanked. She notes that 16 of its 21 counties experienced increases in the number of commercial and savings bank offices between 1984 and 1987, but that these increases "directly correspond to the counties' population growth and business expansion". She also cites the rationalisation of the banking sector through mergers and acquisitions.

There is no doubt, however, that competition is already fierce and will get worse. Mr Andre Briod, a senior officer at First Fidelity Bank NA New Jersey, said: "Some banks which are coming in are going to get bruised."

There are three potential sources of new entrants into New Jersey banking:

■ More New York banks are expected to start acquiring in New Jersey. Of the money-centre banks, Chemical is so far the only one to have bought in with its acquisition in 1986 of Horizon Bancorp. Many others – who have been concentrating on dealing with making provisions for Third World loan losses, and whose balance sheets have not been in the best shape for acquisitions – are expected to follow.

■ Foreign banks are currently barred from acquiring banks in the state, but legislation lifting this restriction, currently stalled in the New Jersey assembly, is widely expected to pass. Natwest was not treated as a foreign bank under state law, because its US subsidiary is a nationally chartered bank holding company in New York.

■ Lastly, the move towards inter-state banking is gathering steam. As banking laws stand, New Jersey allows banks nationwide to acquire its banks, provided the acquiring bank's home state offers reciprocity to New Jersey banks. So far, only New York and Pennsylvania comply, but Massachusetts and Connecticut and a clutch of other states are expected to follow suit by the beginning of next year.

Mr Richard Hazen, president of National Westminster Bank NJ, expects interest from all these areas, but says that the pace of acquisitions has slowed down for the moment. Banks are looking at their bottom lines, and at controlling operating costs, rather than gathering market share. This partly reflects the substantial acquisition activity this decade within the state, and also the currently difficult interest rate environment.

He looks forward to intense competition with relish. "It's fun. It is a let's-go-get-em type of business."

New Yorkers, particularly of the financial variety, tend to see New Jersey as a rather dull extension of Wall Street, across the Hudson River.

While there has been a move to situate bank administrative offices in New Jersey, because of lower rents, the truth is that New Jersey is as dynamic a market for financial services as you could get, and one that will attract much interest as the trend towards super-regional banking gathers pace.

As First Fidelity's Mr Briod commented: "New Jersey is a much more broadly-based economy than a dormitory for New York's financial industry."

Janet Bush

SCIENCE & TECHNOLOGY

Shoulders rub to create jobs

SINCE EARLIEST times in US industrial history, New Jersey has been a powerhouse for innovation. Today, the state accounts for nearly 12 per cent of the estimated $125bn spent nationwide each year on research and development.

But when New Jersey's economy faltered badly during the 1970s, industrialists and politicians alike realised that finding new ways to stimulate and harness those strengths was a key to recovery.

The state government's main instrument is the Commission on Science and Technology, which it founded in 1985. The commission, in turn, has set up a wide range of high-technology centres and programmes, to bring scientists and industrial researchers together.

"Technology transfer is a contact sport," says Mr Edward Cohen, the commission's executive director. "Industrialists and academics have to rub shoulders."

The commission's annual operating budget has grown from $4.5m to $19.4m in its first five fiscal years, and it has received $99m in capital funds from two bond issues approved by the state's voters. Over the same period, it has attracted $47m in funding from corporations which became partners in its programmes, and an additional $46m in federal government research and development grants.

So far, the direct pay-off has been relatively modest. The commission estimates that the efforts have helped to create or save 3,000 jobs. Broader effects, however, are increasingly apparent. Some stodgy or mature sectors, such as food-processing which never bothered much with R&D in the past, are spending more money now that they are beginning to appreciate the benefits.

Entrepreneurs, once only rare by-products of the huge institutions that dominate the state's scientific scene, are starting to flourish. Many of them are drawing on fledgling venture capital and business-incubation programmes. Moreover, the commission is trying to make R&D dollars more effective by focusing them on a handful of key new areas that build on New Jersey's traditional industrial strengths.

Thus Advanced Technology Centres – for biotechnology, computing and telecommunications, advanced materials and environmental protection – complement the well established pharmaceutical, chemical, electronics and material processing industries.

More than 130 companies are partners in the nine centres. The hope is that the programmes will stimulate the sort of commercially-viable inventions that have underpinned New Jersey industry for more than a century and half.

The roll-call is impressive. Samuel Morse demonstrated the first electronic telegraph in 1838. Thomas Edison unveiled the stock-ticker in 1868, the phonograph in 1877 and the film camera in 1891. Submarines, condensed soup, antibiotics, air conditioning, colour television and frozen foods are some of the other products that were invented in New Jersey.

Without doubt, the world's scientists know the state best for Bell Laboratories, founded by American Telephone and Telegraph in 1925. Since then, an average of one patent a day has flowed from its staff. To name but two of their breakthrough products, they invented the transistor, opening the door to today's micro-electronics industry, and they built the world's first telecommunications satellite.

The state has won its reputation for innovation, though, through the work of its industrial laboratories not its academic institutions. It is sadly short on the latter, with the exception of a handful of places such as Princeton University where Albert Einstein did some of his greatest work, or Rutgers University and the New Jersey and Stevens institutes of technology.

Some observers argue that this deficiency will hamper New Jersey in the race to develop new technologies. Others say the state can largely compensate for the handicap by marshalling its resources well. In fact, Mr Cohen has a reputation for barging heads together to minimise competition between institutions for scarce resources.

Typical of the realistic approach was the state's decision not to join the fierce fight for the Superconducting Super-collider. Many states tried desperately to be chosen by the federal government to be the site of a multi-billion particle physics facility.

New Jersey decided the project was a poor use of its resources, because basic scientific discoveries, not potentially commercial applications, would flow from the huge programme. Moreover, the state lacked the wide open spaces for the accelerator, which will run in a 53-mile oval tunnel underneath tens of square miles of land. Texas was the eventual winner.

> **Entrepreneurs, once only rare by-products of the huge institutions that dominate the state's scientific scene are starting to flourish**

Beyond the issue of scientific prestige lies the more direct question of whether academic institutions are turning out enough scientists and technicians to meet industry's needs. The answer is probably no, but in fact it is a problem for the whole nation not the state specifically, argues Mr Cohen.

"We as a nation are doing an inadequate job of preparing our workforce all the way from technicians to post-doctoral candidates. We have good people, but not enough of them. In some areas we don't even have enough good people," he added.

With its science and technology programmes quickly established, the commission is honing its strategy for further growth. Perhaps the most crucial issue is setting priorities. On one hand, the commission wants to maintain appropriate levels of support for current programmes but on the other, it wants to latch on to promising new fields.

A step towards performance-oriented programmes comes with the new requirement this year that Advanced Technology Centres earmark 5 per cent of their activity to technology transfer to the commercial sector, rising to 10 per cent next year.

"We're devoting more of our budget to this, so we can ramp up our business development activities," Mr Cohen added.

If the jargon and programmes are still relatively new, the concept and spirit are not. More than 100 years ago Thomas Edison, perhaps the most prolific and commercial of America's inventors, spoke of his New Jersey Laboratories as "invention factories".

Today, the state's government and industry are attempting to create the modern equivalent of such hotbeds of innovation. On present trends, they believe New Jersey's share of the nation's R&D expenditures will rise to about 15 per cent from 12 per cent.

Roderick Oram

Rewriting the dream

Continued from previous page

overloaded. More than 60 per cent of the state's main roads were operating near or above their rated capacity as far back as 1985. "Traffic gridlock threatens even the state's ability to continue to grow and prosper," the preliminary plan said.

Pressures are increasing rapidly. The commission estimates that the state's population will grow from 7.7m to 8.9m in the next 20 years. Just to provide them with the present level of services and quality of infrastructure will require a greater than 50 per cent increase in public spending.

The fundamental solution, the planning commission argues, is to redirect much of the growth back into existing cities and suburbs. Higher density would, for example, make mass transit economic, help reduce housing costs, and stimulate a revival of inner cities. Where growth continues outwards, it would be concentrated in higher density centres, with land between preserved for farming and recreation.

Never before has a state government proposed rewriting the American dream. Market forces are winning it allies in a few areas. The New Jersey bank of the Hudson River, across from Manhattan, is, for example, a hot spot for redevelopment.

But overall, the state government may be taking a Canute-like stand. It has no statutory power to force municipalities to accept its vision. It can only try to build a consensus among them. The trouble is, there are 567 towns and cities in the state; and the largest, Newark, has only 330,000 people.

Home rule remains a powerful force in state politics. Many a new outer suburb wants to grow as badly as a bombed out old town like Paterson, and has the political clout to fight for it.

Any significant revival of old cities will require large expenditures to restore an acceptable quality of infrastructure and amenities. Newark's school system, for example, is a disaster. On a less vital level, the city of Trenton, the state capital, has no cinema.

Money casts a harsh light on the political reality. "I think a majority of voters in this state are anti-city," said Dr Stephen Salmore, of the Eagleton Institute. "Many of them have moved out and have very negative feelings. A large diversion of funds to the cities is a real problem politically."

Add to this a change of leadership next January, when Governor Kean completes his eighth year in office, the maximum allowed. His successor, yet to be chosen, faces a daunting agenda of problems constraining New Jersey's growth.

The real danger is that the people of New Jersey might duck the issues. After all, many of the problems are just as great or worse elsewhere in the region. Inadequate action is unlikely to mean that many jobs will flow, say, to southern Connecticut or Long Island.

But by tackling them, they have a chance of keeping the countryside attractive, making the urban areas more habitable, and completing the maturation of New Jersey.

THE ENVIRONMENT

The pines get protection

THERE IS not much to see in New Jersey's Pine Barrens except pitch pines, white cedars, black oaks, streams the colour of rust; and sandy roads that run into the woods, split, come together, turn on themselves, divide into five, lose themselves in swamps or sling you back where you started five hours ago.

There are cranberry bogs, rows of blueberry bushes, sometimes a sparrowhawk perched on a cedar stump, sometimes a man in a pick-up. The place is either silent or deafened by military aircraft.

"Why," asks New Jersey's environment commissioner, Mr Christopher Daggett, "would anybody want to preserve a bunch of scrubby old trees?" He answers his own question: "Because the place is unique."

By the standards of the eastern US, the Pine Barrens are a wild place. In the megalopolis that sprawls from Norfolk to New Hampshire, the Pine Barrens are a million-acre hole. Here, in the most densely populated state of the union, is a stretch of country where the villages have the air of 30 years ago. In a region that has been polluted by every sort of heavy industry, the Pine Barrens have clean air and two vast aquifers of the sweetest water.

People's attitudes towards land have changed over the past three centuries, and nowhere more than in the Pine Barrens.

Named "Barrens" by the colonists, because the sandy, acid soil was no good for growing corn or grazing, the woods were used heavily but quite benignly for three centuries of iron-making, glass-works, logging and berry-culture.

The military carved out chunks for itself. Years of relentless and futile land speculation left only vestigial traces: in the 1960s, the writer John McPhee came upon a street sign deep in the woods marked Fifth Avenue. It was not until the mid-1970s, and the licensing of gambling in Atlantic City, that development began to eat into the Barrens.

Ironically, this was just the time when many people decided the pines had much more than economic value. In 1978, the Carter Administration declared the Pine Barrens the first ever National Reserve in the US, and called on New Jersey to develop a comprehensive master-plan for the place.

The plan, which attempted to funnel development to the edges of the pines, set off a ferocious battle. Speculators and developers, municipalities and farmers, desperate to sell their land, fought with environmentalists — and everybody fought the plan and the new Pinelands Commission.

The battle has subsided since then. Nobody is satisfied, but, as Mr John Stokes, assistant director of the Pinelands Commission, says: "Everybody agrees that the Pinelands should have some kind of protection." North Jersey towns look on the two Pinelands aquifers with thirsty eyes, but it seems that in South Jersey, at least, it is recognised that the water is the lifeblood of the Pine Barrens.

An innovative plan to allow farmers to transfer development rights to their land to special areas on the edge of the pines has been slow in starting, but has taken away some local opposition. Governor Tom Kean is clearly less enthusiastic for the pines than Governor Brendan Byrne, who signed the Pinelands plan, but he has backed the commission.

People's attitudes towards land have changed over the past three centuries, and nowhere more than in the Pine Barrens

Oddly, there may well be more agreement on the Barrens and other conservation issues — what Mr Daggett calls the "clean" side of his job — than on a host of big issues facing the state on the "dirty" side. Of these, the problem of disposing of household garbage or solid waste is so severe it threatens to impair the state's entire economy. Poor air quality, traffic congestion, polluted groundwater and hazardous waste are problems only slightly less severe.

With solid waste, New Jersey has simply run out of disposal space. Its residents are prodigious generators of trash — a ton a year each — but many poorly designed or unregulated dumps that were leaching into groundwater were closed during the 1970s.

Local opposition has blocked new dump sites. By the beginning of this year, all but a fraction of the waste being dumped in New Jersey was going to just 10 sites, and these will not last into the 1990s. The state is exporting about half its solid waste, mostly to Ohio and Pennsylvania.

"The idea of burying garbage doesn't work any more in this state. Nobody wants a landfill near them, and the other states could succeed in closing their borders to our trash," says Mr Daggett.

In 1987, New Jersey became the first state to make recycling compulsory. Each of its 567 municipalities must recycle at least three materials: most chose glass, newspaper and aluminium. By 1986, households were recycling about 13 per cent of their waste, and this is now at least 18 per cent.

Mr Daggett hopes to expand the products being recycled — batteries, say, or some plastics — to get the figure to 25 per cent "in the next several years".

The recycling programme has been much applauded by environmentalists, but there are problems. The market for old newspapers, for example, has collapsed in the north-east and the state has to pay brokers to take them away. Even if markets stabilise, the state believes that recycling will not be enough.

"The crisis is manageable," he says, "but only if we move forward on all fronts: reduction at source and incineration or pulping, as well as recycling and landfilling."

But incineration is already the subject of bitter dispute, because of the potential for hazardous emissions and the problem of disposing of noxious ash. A single incineration plant — at Oxford, in Warren County — has opened, but it can handle only 400 tons a day.

New Jersey's air is a chronic problem. Despite big advances in cutting industrial emissions in the 1970s, few places in the state meet Federal standards for ground-level ozone, which is formed by sunlight working on organic compounds and nitrogen oxides. Mr Daggett complains bitterly that much of the ozone comes in over the state's borders from the industrial midwest, and he is struggling to convince Washington of this. The state has also ordered filling stations to fit sleeves over pump-nozzles, to cut petrol vapour. But the problem is really that too many people are driving too much.

Mr Daggett says: "I have linked the air quality and congestion issues. We need to halve the traffic round here. It is not only the air has to be cleaner, the economy is being choked. We really have to generate ways of moving people not cars, and this is going to be the major policy question of the early 1990s."

In a densely populated state is a stretch of country where villages have the air of 30 years ago

James Buchan

TRANSPORT

Victim of its own prosperity

WHEN MR Clifford Holland designed the eponymous tunnel in 1919, he reckoned on daily traffic of about 40,000 vehicles.

On the first Sunday after the tunnel opened, in November 1927, more than 51,000 drove through the underwater link between New Jersey and Manhattan. Today, some 80,000 vehicles a day make the Eastbound journey alone.

Congestion and over-crowding dominate the New Jersey transport network as the state grapples with the problem of moving people and goods on bridges and roads, and through tunnels that were designed to carry half the present load.

A recent report on the region's transport system, *Regional Transportation: Current Conditions and Future Prospects*, concluded that: "On many of its most critical links, the regional transportation network today lacks the carrying capacity, operating flexibility and physical characteristics needed to meet the requirements of its people, the expectations of its employers and shippers, and standards of environmental quality. Unfortunately, these problems are harbingers of a worse crisis that could severely limit the region's economic growth in the early 21st century."

The Bi-State Forum, which conducted the study, consists of the commissioners of the New Jersey, New York City and New York State departments of transporatation; the chairman of the Metropolitan Transporation Authority; and representatives from the New Jersey Transit Corporation and the Port Authority of New York and New Jersey. The balance of New Jersey and New York institutions indicates just how closely the two states are tied, when it comes to the problems of moving people and goods.

The forum estimates that about 2m people travel into Manhattan from New Jersey each morning. In addition, a vast number of delivery trucks make the journey — annual eastbound truck traffic alone equals the total annual tonnage handled by the eight busiest Atlantic Coast ports.

New Jersey's transport network has fallen prey to the state's new-found prosperity. More than half of the current commuters between the two states joined the system after 1977. Furthermore, commuting within the state is rising precipitously. Added to this is an increasing number of trucks needed to shift the goods required for the region's growing population. Meanwhile, highway capacity has not increased to accommodate the heavier load.

Congestion and over-crowding dominate a network where bridges, roads and tunnels were designed to carry half the present load

The forum expects the number of suburban commuters within New Jersey to increase by 500,000 to 2.9m in the next 20 years. During that time, it is predicted, the number commuters between the New York city business centre and New Jersey will reach 212,000, a rise of 31,000.

A striking example of the strain put on the roads is provided by the George Washington Bridge, which joins the northern Manhattan to New Jersey. There are 13 lanes at the toll bridge on the Jersey side of the bridge. In less than two miles these funnel into only three lanes. Congestion is compounded when the traffic runs into the Cross-Bronx highway traffic on the Manhattan side of the bridge.

Delay on the bridge averages 20 minutes. This is expected to increase to 40 minutes by 1995.

New Jersey's public transport service, New Jersey Transit, is also pushed to the limit. Although most of its passengers are bound for Manhattan, only three of the commuter railroad's 10 lines and branches have access to the city. All other services require an inconvenient transfer on to the subway line, which joins New Jersey to Manhattan.

"In an era of declining federal support for transit, severe constraints have been placed on the ability of transit agencies to plan and construct the kind of major infrastructure improvements that would bring substantial expansions in capacity," says the report.

Commuters are not the only ones to suffer. According to the forum, as a result of congestion and high tolls, it now costs as much to move a truck from New Jersey to Long Island (about 70 miles) as it does to move the same truck from New Jersey to Pittsburgh (about 400 miles).

New Jersey is a central point for shipping, with goods from Europe arriving at the ports and from the Pacific Rim arriving at the railway depots. In 1987 the NY/NJ Customs District reported that 15 per cent, or almost 55m tons, of the total US merchandise passed through the region's import and export facilities. Over 700m tons of freight was moved through the region. According to the report, about 90 per cent of this is carried on trucks.

Furthermore, the regional highway system cannot accommodate the larger and wider trucks that are rapidly becoming the norm.

New Jersey Senator Walter Rand who heads the state's transporation committee, has put forward a number of possible solutions to the problem of overcrowding in a five-bill package before the New Jersey Senate. Among the ideas being considered are van-pooling and car-sharing, and staggered work hours for private as well as public employees.

The senator would also like to see improvements at the Atlantic City airport, in order to relieve congestions at Newark Airport, which is rapidly approaching capacity.

Ms Christine Johnson, director of the Office of Transporation Planning for the Port Authority, agrees that the future for the solo occupancy vehicle in the region is not bright. A public ferry service has just been introduced, which should help alleviate some of the commuter congestion across the Hudson. A number of private ferries already ply the river between New Jersey and New York.

Other proposals include the off-peak delivery of goods, automatic toll-collection on the bridges, and tunnels to allow a faster flow of traffic.

However, funding for these improvements is not forthcoming from a federal government that emphasises free enterprise and state autonomy. "Funding is the most important issue facing the region's transporation," says Ms Johnson.

This is in line with the findings of the forum. "These solutions are expensive," says the report. "Yet, the bottom line of this report is that current, federal, state and local resources are insufficient to find the needed transportation improvements to keep the region economically competitive."

Karen Zagor

ATLANTIC CITY: it is now clear that gaming was the wrong industry

The gamble that hasn't paid off

FOR A small town that houses a $5bn gambling business, Atlantic City does not flaunt its wealth. There is no movie house and no supermarket.

Three blocks in from the Boardwalk and the towering casino-hotels, there are boarded-up stores, pawnbrokers and cheque-cashing businesses. Men, both black and white, hang out not doing much. At night, the windy streets are empty.

In 1976, the people of New Jersey voted in a referendum to license casino gambling in Atlantic City. This was an experiment in urban renewal, a gamble to revitalise a 19th-century resort that had fallen to bits in the Depression and been in pieces ever since.

In the intervening years, 12 great casino-hotels have gone up on the Boardwalk, the once-fashionable promenade that runs for three miles along the ocean; 40,500 jobs have been created; more than a $1bn in taxes has passed to the state. And Atlantic City is a slum.

"It's a dump," says Mr Marvin Roffman, a Philadelphia stockbroker, who is an expert on gambling in Atlantic City. "Whatever casino gaming has done, you have to face it: in terms of revitalising Atlantic City, it's a failure."

Now the casinos are doing badly. It may sound hard to believe that the house can lose at games where it can design the odds to make it win, but intense competition has pared profits to almost nothing. Last year, according to Mr Roffman, the casinos earned just $16.2m after operating costs, taxes, interest on debt and depreciation of their capital base.

This was a miserable return on the $2.73bn which the unfortunate punters left in the slots and on the blackjack and craps tables.

It is an even feebler return on the $5bn-odd that has been invested in the Boardwalk, the lion's share of it raised from junk-bond investors assembled by Mr Michael Milken and his staff, at the Wall Street investment firm of Drexel Burnham Lambert.

Next year, a vast new casino, the Taj Mahal, will add 20 per cent more space for tables and slots, and this will increase competition dramatically in a saturated market. People such as Mr Roffman and Mr Al Glasgow, the colourful and well-informed publisher of Atlantic City Action, say there is going to be a shake-out on the Boardwalk. Already the weakest casino, the Atlantis, has lost its license because it could not find financing to plug its losses.

What on earth went wrong?

Eleven years after Resorts International opened the first casino on the Boardwalk, it is now clear that gaming simply was the wrong industry for a dying Atlantic City. No casino wants its customers out buying souvenirs or dining in French bistros: they should be hunched over the slots in the perpetual half-light, feeding in quarters five at a time and snarling at anybody who comes near.

Unlike Las Vegas, which was developed as a resort where people spend a few days, Atlantic City was so run-down in 1978 that it could only be a place for day-trippers. In Atlantic City, a high-roller is a Queens cab-driver with $250 to burn. Nearly 40,000 people, many of them pensioners, are bussed in by the casinos to play the slots every day. They stay an average of eight hours, and few see sunlight.

The casinos are doing badly. Intense competition has pared profits to almost nothing

Worse, the opening of Resorts unleashed a whirlwind of land speculation, which whipped up real estate values and property taxes, drove the poor from their homes and businesses from their premises, and left a desolate stretch of abandoned stores two or three blocks deep. A five-year-old levy on casino revenues, designed to finance new housing, has yet to have noticeable effect. Local government is outclassed and, it seems, more or less irrelevant.

"What we have here," says Mr Glasgow, "is no more than a neighbourhood craps game with a bit of glitz and glitter."

The city's boosters claim that Atlantic City, with its 33.1m visitors each year, is the world's greatest resort. But these are not 33.1m different people. At best, there is a hard core of about 4m-to-5m pensioners, blue-collar workers and self-made businessmen, from New York and Philadelphia and their suburbs, who come to Atlantic City often.

This market provided the pioneer casinos, such as Resorts and Caesars, with spectacular profits. But there is little chance that it can be expanded to cover the new capacity from the Taj Mahal. The market is expected to grow this year by between 5 and 8 per cent. Burdened with debt as they are, some casinos will either merge or follow the Atlantis into closure. The successful ones – Bally's, Caesars and Trump Plaza – are expected to increase their share.

There are two hopes for the industry. First, profitability is so mediocre that capital has dried up and there may be no extra competition for a few years after the Taj Mahal opens. Second, much of what new capital there is comes from Mr Donald Trump, the New York real-estate developer, who mixes brilliant showmanship with an acute assessment of risk.

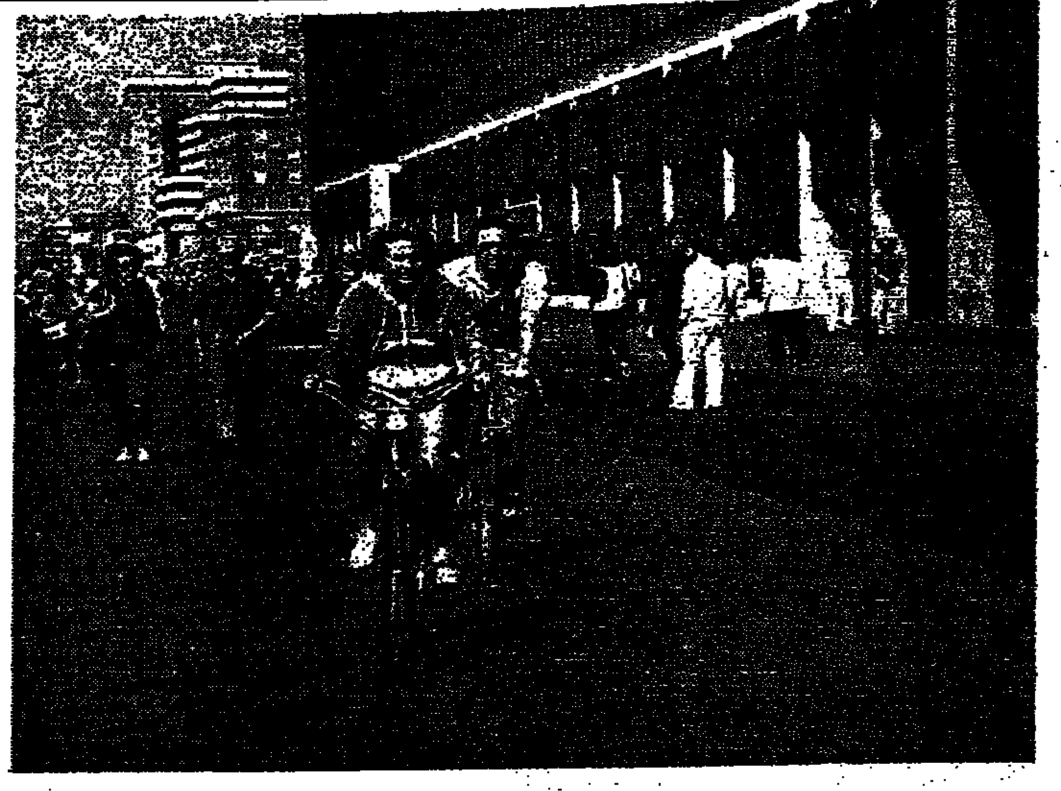
In his vulgar but popular New York buildings, his vast yacht and his best-selling autobiography, Mr Trump has repeatedly shown how precisely he understands the taste of middle America, eastern division. It is hard to imagine anybody better capable of popularising Atlantic City. He will also control, once the Taj Mahal has opened, 31 per cent of the gambling floor and, after a year or two, 40 per cent of the hotel rooms. His recent bid to lock up the so-called Penthouse property for a non-casino hotel shows his current strategy: more hotel rooms, no more slots.

Mr Trump and the industry hope that, ultimately, Atlantic City can attract gamblers from outside its current 100-mile radius. Boosters count off the great events to come: a new railroad spur this summer to link Atlantic City with the Boston-Washington line, new hotel rooms, eventually an airport and convention centre.

Mr Roffman, who is with the Philadelphia stockbrokerage Janney Montgomery Scott, is gloomy about the present, but optimistic about the middle future: "Atlantic City will evolve into more of a destination resort, like Vegas. People will stay three or four days."

Longer stays should mean demand for more varied entertainment and services, which should do something for Atlantic City. But it is a long way away.

James Buchan



Some wheels do keep turning: visitors to Atlantic City

FARMING

Incentive plans may stem drift

THE US farm belt, with its vast area of "amber waves of grain" stops far west of New Jersey. The Garden State's farmers toil away on what, by US standards, are tiny plots, averaging 112 acres. Their largest crop, unsurprisingly in this highly suburban state, is greenhouse nursery stock.

Still, New Jersey farmers are like farmers elsewhere: high rolling gamblers, according to Mr Arthur Brown Jr, the state's Agriculture Secretary and owner of 40 acres of blueberries, flowers, plants and shrubs.

"Every day we gamble, and it can cost a lot more than going to the casinos," he said. "One night of frost can wipe out your profits for a year."

Although the farmers keep a sharp eye on the weather forecasts, widespread use of irrigation, plastic row-covers and greenhouses renders them somewhat less dependent than their Midwest brethren on the vagaries of the elements.

But fruit and vegetable crops, which provide about 28 per cent of the New Jersey's agricultural cash receipts, are even more susceptible than grain to prolonged drought or unusual cold snaps.

Like farmers all over the US, New Jersey farmers have gradually been leaving the land for more predictable careers, pocketing hefty profits from developers on the sale of what has become the most valuable farmland in the US.

In 1950, almost 27,000 farms in New Jersey occupied a total 1.7m acres. By last year the number had fallen to 7,400 on 999,000 acres. About half of those who are left farm only part-time.

It is a worrying trend to officials of the most densely populated state in the union. The land and its trees are important in the battle against pollution. Attractive fields make real estate more valuable and help to attract tourism. "We don't want people to have to go to Pennsylvania for a Sunday ride in the country," said Mr Brown.

If New Jersey is to retain its farms, then farmers must be allowed to earn healthy profits. In 1987 agricultural cash receipts were $620m, down 2 per cent from the previous year.

The state has created several incentive schemes to encourage farmers to stay on the land. A tax programme, introduced more than two decades ago, assesses farmland at a much lower rate for its agricultural productivity than for its value to commercial development. If land is sold for development, then the state charges a rollback tax, charging the buyer, seller or both, for the difference in the agricultural and commercial rates of the previous three years.

In 1987 the state's voters approved a $50m bond issue for a farmland preservation programme. Farmers who enter their land in the scheme are paid the difference between the land's commercial and agricultural values. After that, the land can be used for nothing beyond farming.

The goal is to one day get 300,000 acres in the programme. But with the average cost per acre exceeding $7,000, more bond issues will be required, and it is far from certain that much of the land will not become condominiums or shopping centres before enough funding has been raised.

Vegetable farming, a 300-year-old tradition, gets high priority from the state. More than 70 different kinds of vegetable are produced, the principal crops yielding over $80m a year. A $1m-a-year "Jersey Fresh" promotion of fruits and vegetables has created a booming regional market and, according to polls, boosted consumer demand for fresh locally-grown produce.

Although the state is prepared to encourage agriculture, New Jersey farmers are far less addicted to government assistance than their larger counterparts in the Midwest. The only crops eligible for federal price supports and subsidies are grains, representing about 10 per cent of the cash receipts, and dairy (9 per cent). Of the billions of dollars in subsidies awarded to US farmers in 1987, New Jersey producers received a miserly $11m.

Instead, the local farmers are model entrepreneurs. Pam and Gary Mount are proprietors of 80 acres of vegetables, fruit trees and pastureland, in Princeton. Customers come from far and near to shop at their large country store, which features their own and regional produce, homemade pies and ciders.

The shoppers' children receive free apples and small sacks of animal feed, which they take to the back pasture for a visit to the farm animals. Special events three times a year – a kite day, Hallowe'en and apple day – are major community events that draw thousands of tourists.

Even the Mounts' children are imbued with the entrepreneurial spirit. A 13-year-old daughter runs birthday parties for young children, providing refreshments and donkey rides, for $50.

If New Jersey is to retain its farms, then farmers must be allowed to earn healthy profits. In 1987 agricultural cash receipts were $620m, down 2 per cent from the previous year

At another vegetable farm, in New Brunswick, Sue and James Giamarese cater specifically for the area's ethnic groups. On 65 acres, they produce parsley for Lebanese salads; plum tomatoes and basil for Italian customers; and coriander, used in Spanish and Middle Eastern cooking.

They offer tours for school children and hayrides. Customers are invited to pick their own strawberries and pumpkins.

In fact, "pick-your-own" has become a popular device in a state where labour is increasingly scarce. The opening of the Atlantic City casinos took 40,000 workers out of the employment market. The unemployment rate is 3.5 per cent, and, except for seasonal workers who are trucked in by the day from New York and Pennsylvania, fulltime employees are difficult to find.

Mr Mount said students were volunteering for work, but were inexperienced and costly – wages are rarely less than $4.50 an hour.

With its central location, mild climate and well-drained loamy soil, New Jersey offers farmers favourable growing conditions and "the best market in the world", according to Mr Brown. But the urbanisation of the state also means "people pressures", which require most farm activities to be heavily regulated.

"Most farms are ringed by houses," Mr Brown said. "You have to watch the dust, the corn-shucks, the pesticides, the noise – and if you're playing with manure, you really have a problem. People think like to move out to the country. But after a couple of years, they decide they really liked things as they were in Brooklyn."

Nancy Dunne

CONSTRUCTION CONTRACTS

Building offices in Docklands

WIMPEY CONSTRUCTION MANAGEMENT has been appointed management contractor on a £68m contract for an office project at South Quay in Docklands, London, being carried out by Wiggins Waterside and Port of London Properties.

The 19-storey development comprises retail space at ground and podium levels, and business suites/apartments on the following 17 levels, with the top two given over to executive apartments. There will be three basement levels and sub-basement car parking.

The structure will be of steel frame with metal decking and lightweight concrete topping to all upper floors and suspended reinforced concrete slabs to the carpark levels. The basement will be enclosed by a bored-piled retaining wall and of in situ cast concrete.

External finish will be of pre-fabricated, storey-high cladding panels faced with selected granites on proprietary glazed curtain walling.

The development, which is due for completion in February 1991, includes the construction of a glazed roof.

Expansion of Luton airport

WALTER LAWRENCE GROUP companies have been awarded contracts worth £22.6m. Walter Lawrence Project Management has won the management contract for a new terminal building, hanger and associated infrastructure at Luton Airport on behalf of the London Aviation Centre at a cost of £8.5m. Work is expected to start shortly and the project is expected to be completed within 46 weeks.

The company has also been awarded a management contract for a poll tax office for the London borough of Southwark. The £3.5m project is to convert and refurbish the Wood Mill building at Southwark public works depot in Neckinger Road.

Walter Lawrence City & Southern is to carry out a sheltered housing scheme for 110 dwellings on behalf of Pancity Dvelopments in Tongdean Lane, Brighton, at a cost of £4.7m.

City and Southern will also carry out a refurbishment and extension to office accommadation at 14/15 Stratford Place, London, on behalf of General Accident Life Insurance at a cost of £2.2m. It will also receive £1.7m for partly refurbishing and extending offices at 56/58 Worsnip Street and 40 Clifton Street in London on behalf of the AVH Partnership.

Village development in the Isle of Man

The Manx Government in partnership with NORWEST HOLST is to create a traditional village in a rural setting on the outskirts of Douglas.

The £16m development, with its use of local stone, open areas, informal courts and landscaping has been acknowledged by the Manx Government to be the most innovative housing scheme yet to be constructed on the island. It will provide a mix of accommmodation ranging from housing for first-time buyers, to larger detached properties together with flats, bungalows and sheltered accommodation for the elderly, all contained within a fully landscaped 27 acre site.

As befits a true village development, Ballafletcher will boast many of the facilities of a traditional Mannx commmunity. Central to the development will be a large village green, around which will be sited the village hall, doctor's surgery, post office and general store. A public house will be built on the outskirts alongside the Ballafletcher Road.

The village will have about 100 units out of a total of 274 available for priority purchasers. The elderly are also catered for with 80 specially designed flats and bungalows. To maintain the village character the remainder of the houses are to be in the mid and upper price bracket so that there is a full range of dwellings available.

Under the agreement Norwest Holst has accepted the responsibility for the design and construction of the scheme together with onward sale of the properties. The Manx Government will provide the land and be responsible for the provision of priority purchasers, whilst maintaining a close dialogue with Norwest Holst throughout the development to ensure that the partnership objectives are achieved.

Ballafletcher is the latest of several partnership arrangements undertaken by Norwest Holst with the Manx Government and local authorities. The first, and largest such scheme to date, at Anagh Coar in Douglas, provides 110 dwellings for sale to first-time buyers. Further schemes at Corony and Jurby are also underway to provide a further 35 homes.

Holiday Inn hotel for Gatwick

WILLIAM OLD (CIVIL ENGINEERING & BUILDING) has been awarded the contract for a £10m Holiday Inn hotel at Gatwick.

Watford-based William Old is the main contractor for the hotel - which is the first Holiday Inn in the Gatwick area - with responsibility for every aspect of the contract from the construction of the building to the fixtures and fittings - down to such minute details as the cutlery and the waitresses uniforms.

The main structure of the 150-bedroom hotel has eight floors. The ground and first floors are to be constructed in reinforced concrete, the remaining levels in precast concrete with brice curtainwall facing.

A two-storey structure adjoining the front elevation of the building houses the reception and restaurant, with full conference facilities on the first floor. This part of the hotel utilises structural steel and curtainwall and brick cladding. There is also to be an indoor swimming pool and jacuzzi complex.

The Holiday Inn Gatwick hotel will be operated by Mrs Gulshan Bhatia, of Muirgold. Mrs Bhatia is the first female franchisee in the UK to be granted a Holiday Inn licence by Holiday Inns International. William Old will hand over to Mrs Bhatia on completion, scheduled for October 1990.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-

BLP Grp., 14, Dominion Street, E.C., 9.45
Brent Chemicals, Sheraton Skyline Hotel, Bath Road, Hayes, Middx., 12.15
Hambro Countrywide, 41, Tower Hill, E.C., 11.30
Home Counties Newspapers, Strand Palace Hotel, Strand, W.C., 3.15
ISA Int., Norfolk Gardens Hotel, Bradford, 3.00
Mackay (Hugh), Royal County Hotel, Durham, 12.00
Rock, St. Georges Hotel, Langham Place, W., 10.00

BOARD MEETINGS-

Finals;
Cakebread Robey
Rechem Envmtl Serv.
South African Breweries
Vival

Interims;
Crystalate
Hanson
Holmes & Marchant
Kunick
Parkway
SAC Int.

DIVIDEND AND INTEREST PAYMENTS-

Alliance Tst. 4½pc Deb 15/5/56 2¼pc
Bancomer SA FRN's 1986/90 $92.26
Barclays Bank 8¼pc Ln 1986/93 4⅛pc
Do. 16pc Ln 2002/07 8pc
Baynes (Charles) 0.5p
Beattie (James) 6¾pc Deb 1986/90 3⅜pc
Beneficial O'seas Finance 14¾pc Nts 15/5/92 7⅜pc
Birmingham District Council 11½pc 2012 5¾pc
Britannia B. S. FRN's 1995 £324.58
British Sidec 6pc Deb 1986/90 3pc
Brunswick 11cts
Bullers 1.6p
Burndene Invs. 15pc Ln 2007/12 7½pc
Candover Invs. 10p
Chase Manhattan 30cts
Do. FRN's 2000 $242.19
Clyde Petroleum 0.5p
Colgate-Palmolive 37cts
Colorgraphic 4.05p
Conversion 10pc 1996 5pc
Conversion 9¾pc 2006 4⅞pc
Delaney 2.6p
European Home Products 3.5p
Exchequer 10¼pc 1989 5⅛pc
Exchequer 13¼pc Ln 1996 7¼pc
Export-Import Bank of Korea FRN's 1995 $461.32
F & C Smaller Co's. 6pc Pf 2.1p
First Chicago FRN's Feb 1997 $245.31
Forth Ports Authority 3¼pc Funded Debt 2⅞pc
Futura 0.75p
Gates Rubber 4¼pc Deb 2⅛pc
Gent (S. R.) 1p
Glasgow 3½pc Irrd. 1.75pc
Do. Gas 6¾pc 3⅜pc
Do. Gas 9pc 4½pc
Do. Waterworks 4pc 2pc
Do. Waterworks 3½pc 1¾pc
Hickson Intl. 4.5p
ICI 5⅞pc Ln 1994/2004 1.6579p
Do. 11¾pc Ln 1991/96 3.0541p
Inter-American Dev. Bank 9¼pc Ln 2015 4⅞pc
Investors Capital Tst. 4pc Deb 2pc
Jourdan (Thomas) 4.1p
Korea Exchange Bank FRN's 2000 $455
Kwik-Fit 1.35p
Laidlaw Thomson 3.5p
Life Sciences Intl. 1.1p
Marsh & McLennan 62.5cts
Midland Bank Sub FRN's 2001 £164.06
Mosney Irish Holidays 5½pc Pf 1.98p
Musterlin 3p
National Westminster Finance Junior Gtd FRN's $233.82
North Midland Construction 2p
Oliver (George) (Footwear) 12.4p
Do. "A" 12.4p
Pacificorp 66cts
Pittard Garnar 4.15p
Rutland Tst. 0.42p
Scottish American Inv. 4pc Deb 2pc
Scottish Eastern Inv. Tst. 4pc Deb 2pc
Do. 4pc Deb (Red) 2pc
Scottish Mortgage & Tst. 4½pc Deb 2¼pc
Second Alliance Tst. 4½pc Deb 1956 2¼pc
Shell Canada 14⅞pc Debs 1992 7⁷⁄₁₆pc
Shell Trans. (Reg) 9.83p
Do. (Br) 9.83p
Silkolene Lubricants 7p
Standard Life 5pc Perp 2½pc
Sweden (Kingdom of) 8⅝pc Bds 1990 4⅞pc
TSB Gilt Fd.Class "A" 3p
Tozer, Kemsley & Millbourne 3p
Treasury 3pc 1989 1.5pc
Treasury 12¾pc Ln 1995 6⅜pc
Tyne Tees TV 12.25p
Warner Comms. 17cts
Wells Fargo FRN's 1996 $243.75
Wimpey (George) 6.25p
Worcester 1.98p
World of Leather 3.7p

TOMORROW

COMPANY MEETINGS-

APV, Grocers Hall, Princes Street, E.C., 12.15
Canning (W.), Canning House, St. Pauls Square, Birmingham, 12.00
IMI, Metropole Hotel, NEC, Birmingham, 12.00
Laporte Inds., Butchers Hall, Bartholomew Close, E.C., 12.00

BOARD MEETINGS-

Finals;
Allied-Lyons
Calor
Chelsea Artisans
Elliott (B.)
Harding Grp.
Warner Howard

Interims;
Blenheim Exhibitions
Concentric
Keystone Inv.
Metro Radio
TMD Advertising
Vaux

DIVIDEND AND INTEREST PAYMENTS-

Bank of Scotland (Gov & Co of) FRN's $458.78
Bankers Tst. Intl. Gtd FRN's 1996 $244.13
Barry Wehmiller 1.8p
Bluebird Toys 6.75p
Brent Chemicals Intl. 4.75p
Cambridge Electronic Inds. 6.7p
Commercial Bank of Near East 30p
Evans Halshaw 7p
G.R. 0.4p
Kleinwort Smaller Co's Unv. Tst. 2.5p
Linread 3.25p
Morgan Guaranty Tst of New York FRN's 1991 Y22939
Plumb 3.25p
RBC Far East & Pacific Fd. 33.5cts
Sommerville (William) 6pc Pf 2.1p
Treasury 2pc I-L 1994 £1.0534
Wells Fargo FRN's Feb 1997 $244.13

WEDNESDAY MAY 17

COMPANY MEETINGS-

Assoc. Fisheries, St. Ermins Hotel, Caxton Street, S.W., 12.00
Barker (Charles), 30, Farringdon Street, E.C., 12.00
Bowthorpe Hldgs., Gatwick Road, Crawley, West Sussex, 3.00
Davies & Metcalfe, Injector Works, Romiley, Stockport, Cheshire, 11.30
Densitron Int., Ironmongers' Hall, Barbican, E.C., 12.00
Ipeco Hldgs., Airport Moat House Hotel, Aviation Way, Southend Airport, 10.00
Legal & General, Temple Court, 11, Queen Victoria Street, E.C., 2.30
Marley, Riverhead, Sevenoaks, Kent, 12.00
Spirax-Sarco Eng., Queens Hotel, Cheltenham, 3.00
Stag Furniture, Albany Hotel, Nottingham, 12.00
Steel Burrill Jones, Bankside House, 107-112, Leadenhall Street, 12.00
Tibbett & Britten, Barber Surgeons Hall, Monkwell Square, E.C., 10.00
Ultramar, Savoy Hotel, Strand, W.C., 11.30

BOARD MEETINGS-

Finals;
City of London PR Grp.
Foster (J.)
Gieves
Glamar
Holmes Protection
Lon. & Assoc. Inv. Tst.
Ocean Wilson
Sainsbury (J.)
Select Appointments
Whitbread

Interims;
Baggeridge Brick
Bass
Capital Radio
Diploma
Midsummer Leisure
NFC
Tomkinsons

DIVIDEND & INTEREST PAYMENTS-

Broken Hill Proprietary 9cts.
CityFed 1cts.
Commercial Union 11.75p
Electricite de France 11⅝% Gtd. Ser. Ln 2009/12 5⅞pc.
Hewitt (J.) 1p
Macfarlane Grp. 2.6p
P & O Defd. 15p
River & Merc. Cap. & Inc. Tst. Inc. 1.8p
Trade Indemnity 4.38p
Treasury 9% Ln. 1994 4½pc.
Unilever 9.51p

THURSDAY MAY 18

COMPANY MEETINGS-

ABB Kent, Brown's Hotel, Dover Street, W., 12.00
A.T.A. Selection, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Croda Int., 149, New Bedford Road, Luton, 12.00
ORG, 1, Redcliffe Street, Bristol, 12.00
Estates & General Invs., Grosvenor House, Park Lane, W., 12.30
Laing (John), Dacorum District Council Pavilion, Marlowes, Hemel Hempstead, 2.45
Lawrence (Walter), Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 12.00
Lilley (F.J.C.), Merchants Hall, 7, West George Street, Glasgow, 12.10
LASMO, Barbican Centre, Barbican, E.C., 11.30
Morgan Grenfell, 20, Finsbury Circus, E.C., 12.00
Pentland Inds., Pentland Centre, Lakeside, Squires Lane, Finchley, N., 10.00
Polymark Int., Olympia London Hotel, Kensington High Street, S.W., 10.00
Scottish Heritable, Royal York Hotel, Station Road, York, 12.00
UK Paper, Bakers Hall, Harps Lane, E.C., 9.30

BOARD MEETINGS-

Finals;
Appleby Westward
Bank of Ireland
Fine Art Developments
Gerrard & National
Lep Grp.
Saffire Insurance
Witan Invs.

Interims;
Carr's Milling Inds.
Fulcrum
Morland
Priest Marians
Rand Mines
River & Mercantile
Wheesoe

DIVIDEND & INTEREST PAYMENTS-

Antler 3.6p
Barker (Charles) 2.3p
Benchmark Grp. 0.75p
Britannic Assurance 11p
Christiania Bank OG Kreditkasse Senior Flg. Rate Nts. 1995 $527.92
Christies Int. 15p
Dolphin Packaging 1.87p
Durham (D.G.) 1p
Handley-Walker 3.8p
Jones & Shipman 3.35p
Lambert Howarth 6p
McLaughlin & Harvey 6p
Merchants Tst. 3.6p
Norfolk Capital 0.36p
Pressac Hldgs. 0.5p
Sime Darby Berhad 5sen
Stag Furniture 4.25p
Thorpe (F.W.) 2.5p
Treasury 10% 2004 5pc.

FRIDAY MAY 19

COMPANY MEETINGS-

Burmah Oil, Central Hotel, Gordon Street, Glasgow, 11.30
Cookson Grp., Pewterers Hall, Oat Lane, E.C., 12.00
Forward Technology, Ironmongers Hall, Barbican, E.C., 12.00
Gibbs & Dandy, Chiltern Crest Hotel, Waller Avenue, Luton, 11.00
Hornby Grp., Inn on the Lake, Shorne, Gravesend, Kent, 11.00
Int. Business Comms., Cafe Royal, Regent Street, W., 12.00
Lec Refrigeration, Shripney Works, Bognor Regis, 11.30
Tyndall Hldgs., Butchers Hall, Bartholomew Close, E.C., 12.00
Wilson (Connolly), Moat House, Northampton, 12.00

BOARD MEETINGS-

Finals;
English & Int. Tst.
Personal Assets
Value & Inc. Tst.
Walker Greenbank

Interims;
Lonrho

DIVIDEND & INTEREST PAYMENTS-

American Tst. 2.65p
Arcolectric (Hldgs.) 0.52p
Do. A N/Vtg. 0.52p
Armstrong Equipment 1.25p
BTR 4¼% Gv. Sub. Bds. 1995 2⅛pc.
Beazer 2.45p
Bostrom 1.5p
Britannia Arrow 3.2p
British Dredging 3.8p
Celestion Inds. 0.75p
Clifford Foods 6.4p
Do. A N/Vtg. 6.4p
Daniels (S.) 1.25p
Dowding & Mills 0.8p
Ensign Tst. 0.3p
Erith 2.6p
Gibbs & Dandy 1.75p
Do. N/Vtg. A 1.75p
Goal Petroleum 1p
Hasbro 4cts.
Home Counties Newspapers 8.25p
Iceland Frozen Foods 3.55p
Jerome (S.) 5.2p
Laing Prop. 5.75p
Loydstrust Gilt Fd. Ptg. Red. Prf. 28p
Lopex 3.6p
Melville Grp. 1.5p
Merpac 3.8p
Morgan Grenfell 7p
Perkins Foods 1.2p
Rugby Grp. 2.9p
Sherwood Grp. 3.9p
Standard Chartered 22.6p
Sumit 3.3p
Technology Project Service 3.4p
Treasury 10½% 1999 5¼pc.
Unilever FL3.06

SATURDAY MAY 20

DIVIDEND & INTEREST PAYMENTS-

Birmingham District Council 13½% 1989 6¾pc.
Caterpillar 30cts.
Dowlex 2.36p
Exchequer 12% 1998 6pc.
Mallett 3p
Manders (Hldgs.) 4.66p
Portugal (Republic of) 9% Ln. 2016 4½pc.
Security Pacific 57cts.
Slough Estates 6% Cv. Bds. 2003 (Reg) 3pc.
Slough Estates 6% Cv. Bds. 2003 3pc.
Treasury 2½% I.L. 2003 £1.7204
Treasury 2½% I.L. 2009 £1.7204

PARLIAMENTARY

Today

Commons: Backbench debates on Transport and Air Traffic. Debate on EC report on Taxation of Savings. City of London (Various Powers) Bill, second reading.

Lords: Water Bill, committee.

Tomorrow

Commons: Opposition debates on government publicity and manufacturing industry. Debates on EC reports on Water, Energy, Transport and Telecommunications.

Lords: Electricity Bill and Parking Bill, committee.

Select committees: European legislation: Subject, future developments in the EC. Witness, Lord Cockfield (Room 16, 4.30 p.m.) Members' Interests: subject, Parliamentary lobbying. Witnesses, Lord Northfield, Mr Gordon Oakes. (Room 15, 4.30 p.m.)

Private Bills: Birmingham City Council (No 2) Bill. (Room 5, 10.30 a.m.)

Wednesday

Commons: Employment Bill, report. Debate on EC report on Control of Concentration of Ownership.

Lords: Debates on private bill procedure and on legal profession in Scotland.

Select committees: Defence: Subject, Statement on defence estimates, 1989. Witnesses: Mr George Younger, Defence Secretary; Sir Michael Quinlan, Permanent Under Secretary, MOD (Room 16, 10.20 a.m.). Treasury and Civil Service sub-committee: Subject, Developments in the Government's "mixed steps" programme. Witnesses, Chief Executive, Companies House; Chief Executive, Vehicle Inspectorate (Room 19, 11 a.m.). Employment: Subject, Part-time employment. Witness: Manchester Diocese Board for Social Responsibility. (Room 18, 4.15 pm). Public Accounts: Subject, Crown Prosecution Service. Witness: Mr A. Green, Director of Public Prosecutions (Room 16, 4.15 p.m.). Transport: Subject, Roads for the future. Witnesses: Transport 2000, Association of County Councils. (Room 17, 4.15 p.m.). Social Services: Subject, Resourcing the NHS, the Government's White Paper, Working for Patients. Witnesses, Association of Community Health Councils of England and Wales, College of Health, Patients' Association. (Room 21, 5 p.m.)

Private Bills: Birmingham City Council (No 2) Bill. (Room 5, 10.30 a.m.) Bromley London Borough Council (Crystal Palace) Bill (Room 6, 11 a.m.) Midland Metro Bill (Room 9, 4 p.m.)

Thursday

Commons: Debate on latest EC developments.

Lords: Water Bill (Committee)

Select committees: Defence: Subject, Statement on the defence estimates, 1989. Witnesses, Sir Michael Quinlan and other MOD officials. (Room 16, 10.20 a.m.)

Court of Referees (Room 15, 11 a.m.)

Friday

Commons: Backbench debates on Satellite Broadcasting; the Territorial Army.

Trade Fairs and Exhibitions: UK

May 16-18
Energy Exhibition (0895 421111)
NEC, Birmingham

May 18-20
Scottish Money Show (01-940 2244)
Exhibition Centre, Glasgow

May 19-21
National Franchise Exhibition, including Other Business Opportunities (01-727 1929)
Olympia

May 23-25
National Incentive & Promotion Exhibition (0273 206722)
Olympia

May 23-26
Chelsea Flower Show (01-834 4333)
Royal Hospital, Chelsea

May 24-25
Computers in Manufacturing Exhibition (0372 372842)
Harrogate

May 26-28
Select Investment Show (06333 76626)
Brighton

June 6-8
Enterprise and the North West - Opportunities for Action Conference and Exhibition, (01-642 7686)
G-MEX Centre, Manchester

June 6-9
Screen Print and Screen Print Wear '89 (01-340 3291)
NEC, Birmingham

June 8-13
Fine Art and Antiques Fair (01-385 1200)
Olympia

June 11-14
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 21-23
Personal Investment Marketing Show (01-948 5166)
NEC, Birmingham

Overseas Exhibitions

May 23-26
Asian International Chemical and Process Engineering Exhibition and Conference – CHEMASIA (01-486 1951)
Singapore

May 27-June 4
International State Fair (01-734 4791)
Nicosia

June 9-18
International Air Show (01-225 5566)
Paris

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-225 5566)
Bordeaux

June 20-25
International Building and Construction Exhibition (045382 8869)
Beijing

June 25-28
International Fancy Food and Confection Show (01-940 3777)
Atlanta

June 27-29
International Express & Courier Services Exhibition and Conference (0420 87303)
Brussels

business and management conferences

May 15
Institute of Economic Affairs Health Unit: The welfare state - the changing debate (01-799 3745)
Inter-Continental Hotel, London

May 15-16
FT Conferences: European banking (01-925 2323)
Venice

May 15-16
Acquisitions Monthly: Management buy-outs (01-823 8740)
Hilton Hotel, London

May 17-19
World Grain Magazine/Sosland Publishing Co: Global grain – coping with crisis (Brussels 32-2/736 03 05)
Sheraton Hotel, Brussels

May 17
The Institute of Economic Affairs: Law and economics (01-799 3745)
Queen Elizabeth II Conference Centre, Westminster

May 18
Centre for European Policy Studies: Business policy seminar - Energy policy options for the European Community ((32.2)513.40.88)
Brussels

May 19
Gouldens/Institute of Directors: The life and death of a company (01-583 7777)
116 Pall Mall, London

May 19
The Economist: The quest for quality: strategies for the 1990's (01-839 7000)
Marriott Hotel, London

May 22
International Business Communications: Offshore funds - a time of change (01-236 4080)
City Conference Centre, London

May 23-24
Scottish Electronics Technology Group: European financial self-service conference and exhibition (0292 313203)
Sheraton Hotel, Edinburgh

May 25-26
The Economist: 1992:The single European market: How European business is preparing and the implications for Japan (01-839 7000)
Tokyo

May 29-30
Johannesson & Associates: Global initiatives in high definition television (Luxembourg (+352) 458473)
Palais des Congrès de Paris, France

June 1
Tolley Conferences: Capital Gains Tax for the 1989 tax adviser (01-680 5682)
London Press Centre

June 2
IBC: International securities settlement - what is the future? (01-236 4080)
Hotel International, Zurich

June 5-6
Business Research International: Structuring and financing acquisitions (01-637 4383)
Cafe Royal, London

June 5-9
Management Training Consultants: Techniques of supervisory and management training for trainers (0533 627062)
Leicester

June 8-9
IBC: Spain - the new benefit environment (01-236 4080)
Hotel Melia, Madrid

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

LAW SOCIETIES ADMISSIONS
15th May, 1989

ADAMSON, Nicola [illegible] LL.B Mrs, St Peter, [illegible], Jersey
ANDERSON, Peter Grant LL.B Mr, Westbury
BRADLEY, Guy Alexander LL.B Mr, London
BLOOMFIELD, Paul David LL.B Mr, Isleworth, Middlesex
BORLEY, Andrew John B.A Mr, Stourbridge, West Midlands
BREARLEY, Catherine Fiona [illegible] LL.B Ms, London
BROADLEY, Anthony LL.B Mr, Northenden, Manchester
BRYDON, William Frank [illegible] Mr, Bishopston, Bristol
CHAMPANERIA, Kirit B.A Mr, West Bromwich, West Midlands
CHARMAN, Linda Ann LL.B Miss, Bromley, Kent
CLARK, Stephen John LL.B Mr, Mill Hill, London
CLARKE, Julia Margaret B.A Miss, London
COLLINGBOURNE, Andrew Charles B.A Mr, Newport, Gwent
DEMPSTER, Angela Jayne LL.B Miss, Orpington, Kent
DOWLING, John David LL.B Mr, London
DOWNEY, Michael John LL.B Mr, Barry, South Glamorgan
DURRANT, Winsome Angela LL.B Miss, Thornton Heath, Surrey
EDWARDS, Helen Mary M.A Mrs, Blackheath, London
FIELD, Rena Margaret Veronica B.C.L Miss, Barnes, London
FLANNERY, Christina Maria B.A Miss, London
GILMORE, Paul Vincent LL.B Mr, Islington, London
GLADWELL, Kevin John Mr, Rochester, Kent
GRANT, Warren Lewis M.A Mr, Hendon, London
GRIFFITHS, Andrew David B.A Mr, Clifton, Bristol
JAMES, David Anthony Mr, Hanley, Stoke-On-Trent
JOHASHEN, Derek Carl Mr, Chesham, Bucks
JOHNSON-BROWN, Tracey Martine LL.B Mrs, Birmingham
KANTOR, Leszek Jan Ryszard B.A Mr, East Ham, London
LANCASTER, Michael Colin B.A Mr, Southsea, Portsmouth
LANE, Katherine Elizabeth Miss, Northampton
LEACH, Andrew Stanley LL.B Mr, London
LEE, Martin Kim B.A Mr, Sherwood Rise, Nottingham
LESLIE, Adrian Edward B.A Mr, Strathclyde
MACLAURIN, Wendy Irene LL.B Mrs, Gloucester
MANN, Richard Edward LL.B Mr, Chipstead, Surrey
MARSHALL, Karen Ann LL.B Mrs, Northwood, Middlesex
MILES, Louise Margaret Mrs, Narborough, Leicester
MILLS, Melanie Fiona LL.B Miss, Coven, Staffs
MORCOM, Huw Charles Mr, Carmarthen, Dyfed
MORGAN, Deborah Maria Elvira Judith B.A Miss, Ealing, London
O'KANE, Therese B.A Miss, Clifton, Bristol
PAGE, Katerina Rosemary B.Sc Miss, London
PATEL, Bhavana LL.B Miss, Swindon, Wiltshire
PRIESTLEY, Vivien Ida Miss, Clapham South, London
ROBINSON, David LL.B Mr, Wallington, Surrey
SEYMOUR-WILLIAMS, Alexandra Eve Miss, Mangotsfield, Bristol
SHAW, John Richard Mr, Marston, Derbyshire
SIMPSON, Graeme John LL.B Mr, Whiston, Merseyside
SINNELL, Jeremy Roy Lawrence B.A Mr, Billericay, Essex
SWINBURN, Richard John LL.B Mr, Herts
TAWN, Paul Richard B.A Mr, Witham, Essex
TAYLOR, Peter Lavyrick M.A Mr, London
TOWNSLEY, Catherine Sarah LL.B Miss, Islington, London
VESTBIRK, Steven William LL.B Mr, Leeming
WARREN, Geoffrey John M.A Mr, Watford
WISEMAN, Andrew James Solicitor Of The Supreme Court Of New Zealand Mr, London
WOO, Thomas Tat-Sun Mr, Isleworth, Middlesex

LEGAL COLUMN

Firms may wish to pause before merging

By Robert Rice

A WEEK after announcing their intention to merge their practices from July 1, the partners of Taylor Garrett and Joynson Hicks may wish to pause and reflect on the contrasting fortunes of two firms that have trodden the path before them.

A year on, the UK profession's second largest merger between the firms Lovell White and King and Durrant Piesse has by all accounts been a run away success.

Mr Andrew Walker joint managing partner of Lovell White Durrant says the merged firm has benefited from a substantially enhanced commercial capability. In their case two plus two has indeed made five.

By contrast, it emerged this week that Withers Crossman Block, formed in January 1988 by the merger of Withers with Crossman Block Keith, are having demerger discussions.

The talks are taking place at the request of the former Crossman Block partners with the aim of establishing "whether the two businesses might flourish better as separate entities".

Mr Anthony Lewis, senior partner of Joynson Hicks, said that negotiations had been taking place with Taylor Garrett over the last two to three months. The main reason behind the merger was to strengthen the corporate finance and commercial departments of the two firms. Both had strong, but relatively small, corporate practices. The merger would enable them to compete for business neither was likely to secure on its own.

The strengths and weaknesses of the two firms also balanced, he said. Taylor Garrett was strong in the banking, shipping and commercial property fields, Joynson Hicks in copyright and intellectual property, insurance, matrimonial and litigation. The combined firm will also have one of the largest private client practices in the City.

Taylor Joynson Garrett, as the firm will be known, will be a 59-partner, 300-staff practice, placing it firmly in the UK's top 15 firms by size.

Taylor Garrett is, to some extent, an old hand at the merger game, being the product of a merger in 1982 between Taylor and Humbert and Parker Garrett.

Mr Anthony Thompson, managing partner of Withers, was reluctant to comment last week on the reasons behind the demerger discussions because he did not want to prejudice what were at this stage "friendly talks".

He has written at some length in *Successful Mergers*, however, about the merger process and some of the problems experienced post merger, and he was not prepared to deny that the firm's present predicament might stem in part from its constituents' inability to iron out their differences.

Withers began to look for merger partners following the amicable move of its corporate department to Ashurst Morris Crisp in 1987. CBK had a strong company/commercial department, both firms were happy with the idea of combining company and commercial work with Withers' strong private client practice, and their aspirations on Europe matched. Withers had opened an office in Paris in 1985. There were problems, however, with the accounting systems and a great deal of work had to be done on profit sharing.

The eventual scheme was, according to Mr Thompson, "a combination of the rather different philosophies in the two firms". Discussions on merger began in March 1987 and were finished by the end of June.

Post merger problems arose with the administration systems and working practices, which Mr Thompson said both parties felt in retrospect they should have sorted out before merging. Differences in philosophy and working practices also emerged between the partners, particularly in relation to client getting and the handling of billing and collecting procedures. In retrospect, perhaps, the writing was already on the wall.

LWD's merger, by contrast, has resulted in a substantially enhanced commercial performance for its constituent parts.

Merger has greatly assisted client development both in terms of winning new clients and increasing the services it can offer to existing ones. The sheer number of lawyers it is now able to deploy on a particular piece of work at any given time has been a significant factor in bringing in new business.

What lessons does the LWD merger have for others contemplating similar moves?

Mr Walker says the most important point is to ensure there are very good business reasons for the merger and no significant impediments. Look for a partner with additional and complimentary strengths.

Have a long engagement so that there is time to sort out any unforeseen problems.

Although the Clifford Chance merger has been a success despite the fact that the firms did not operate on a fully integrated basis initially, as a general rule, don't get married and then live apart. Ensure that the partners of both entities are compatible in philosophy, outlook and personality. Make sure the views of all staff are taken into consideration. Ensure that performance related to size is roughly equal so that resentment does not build up over perceived greater contributions to the partnership. This means remuneration and profit distribution in the two firms must be broadly similar.

Were there any things LWD wished with hindsight it had done differently? It would have been nice to have had a common accounting system up and running from the start, Mr Walker said.

Hong Kong dispute over foreign access

LAWYERS IN the UK are by no means alone in finding themselves in conflict with their Government over proposed reforms in the legal profession, writes Robert Rice.

The Hong Kong Law Society has lodged a formal objection to a recently published consultation paper from the Hong Kong Government proposing that foreign law firms should be allowed to set up in Hong Kong, hire local lawyers and practise local law. Local law firms would also be permitted to hire foreign lawyers.

The society complains that foreign law firms will be tempted to advise on local law before they become sufficiently versed in it, the large salaries they offer will attract all the best local lawyers with the cost of meeting the salaries bill passed on to clients in higher charges, and it will become harder to attract Chinese lawyers into government service before 1997.

Lawyers qualified in Britain receive automatic admission to practise in Hong Kong and are therefore only indirectly affected by the proposals in that they will result in much greater competition for work, most noticeably from the large US law firms. Foreign lawyers have been able to operate in Hong Kong since the early 1970s, but only to advise on offshore work.

The proposal, which may become law by the autumn, represents a significant victory for the American law firm lobby.

LEGAL APPOINTMENTS

Importing into Japan

The dogged are reaping the rewards

Continuing his series, Kevin Done examines the strategies of the foreign car manufacturers as they exploit a market where trade barriers have been rapidly removed

The absolute numbers are still small, but the Japanese market for imported cars has begun to grow at a hectic pace. This challenges the long-held belief among car makers in West Europe and North America that Japan was impossible to penetrate, a protected market, closed to importers by a formidable array of barriers, tariff, non-tariff and psychological.

"Somebody once told me that selling foreign cars to the Japanese is like selling refrigerators to the Eskimos," says Lüder Paysen, a 55-year-old accountant who returns this month to West Germany, after eight years helping to mastermind BMW's highly successful attack on the Japanese car market.

Selling foreign cars to the Japanese may still not be easy, but the market is currently undergoing an extraordinary transformation. Those foreign car makers that have doggedly applied themselves to establishing a toehold in the world's second largest car market even when the odds seemed to be impossibly stacked against them, are now beginning to reap significant rewards.

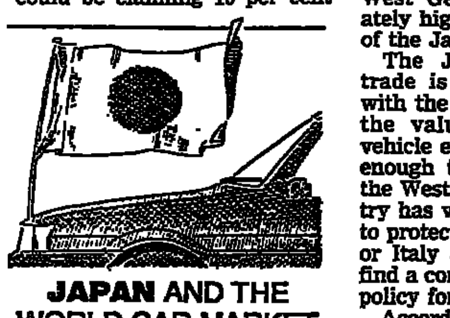
BMW, the West German performance and luxury car maker, was the first European car group to establish a wholly-owned subsidiary in Japan in 1981. Its early strategic commitment to the market has been seen as a model for other European car makers to follow and its foresight is being amply rewarded.

In 1981 it sold 3,662 cars in Japan, a year when all imports together totalled only 38,110, amounting to a derisory total share of the Japanese car market of just 1.2 per cent.

Last year BMW registrations in Japan totalled 26,826, and Japan has emerged as the company's fourth largest export market after the US, the UK and France and could soon oust France from third place. BMW Japan had a turnover last year of around Y140bn (£622m), making it the biggest West German company in Japan.

It is not only performance and luxury cars that sell in Japan, however. Rover Group, then British Leyland, was not so far behind BMW, establishing its own subsidiary Austin Rover Japan in 1983, a foresight helped at the time by its developing links with Honda. In 1983 1,611 Minis were registered in Japan. Last year Mini sales totalled 6,733 – catalytic converters and air conditioning are are fitted locally. Peter Woods, ARJ president, is convinced that continued strong growth still lies ahead for a 30-year-old design that has become a cult car in Japan.

After years of frustration over the myriad obstacles placed in their way, foreign car makers keen to sell in Japan are now beginning to enjoy a virtuous circle, which is persuading them that imports could be claiming 10 per cent of the Japanese car market by 1995, amounting to around 400,000 vehicles.



JAPAN AND THE WORLD CAR MARKET

An additional 5-10 per cent could be taken by so-called captive imports, cars imported by Japanese car makers from their own overseas "transplant" vehicle assembly operations, chiefly in the US.

That process began last year and ironically Honda, already the fourth largest car producer in the US, became at a stroke the biggest US car exporter to Japan, with 5,395 US-produced cars registered in Japan.

Total car imports to Japan jumped by 36.7 per cent last year to 133,583, or 3.7 per cent of the market, following increases of 36.2 per cent in 1986 and 43 per cent in 1987.

Clearly it is presently in the Japanese Government's best interests to see car imports flourishing, at a time when it is seeking to dissuade the European Community from imposing some form of "Fortress Europe" policy against Japanese car sales in the EC single market of the 1990s.

Expanding car imports are also a useful piece of evidence for Japan to cite as it seeks to reduce tension in US/Japanese trade relations, although it can hardly escape attention that the Big Three US car makers have so far failed dismally to make any impact.

Car imports to Japan are dominated by the West German car makers, chiefly the Volkswagen group, which includes Audi, and BMW and Mercedes-Benz. Together the West German car makers alone accounted for 68.6 per cent of all Japanese car imports. Many of these imports are executive and luxury cars, giving the West Germans a proportionately higher share of the value of the Japanese car market.

The Japanese automotive trade is still out of balance with the Federal Republic, but the value of West German vehicle exports to Japan is big enough to make it clear that the West German motor industry has very different interests to protect from those of France or Italy as the EC labours to find a consensus external trade policy for the motor industry.

According to the Japan Tariff Association West German vehicle exports to Japan were worth US$2.23bn lat year, while Japanese vehicle exports to West Germany totalled $3.53bn. By contrast Japanese vehicle exports to the US totalled $24.03bn compared with US exports to Japan of $368.9m.

Perhaps not surprisingly some US car makers, chiefly Chrysler, are still seeking to persuade the US Government to take action against Japan under the controversial so-called "Super 301" provisions of the US Trade Act over alleged unfair automotive trade practices.

As recently as March Chrysler submitted a report to Carla Hills, the US Trade Representative, about what it claimed were the barriers and distortions still at work in the Japanese auto market. "Today the balance is so weighted on the side of the Japanese that it is unlikely that the US will ever gain meaningful access to Japan unless SIGNIFICANT ACTION is taken," it said.

The Chrysler report has aroused a fair deal of mirth among European car importers in Tokyo, however. They are scathing about the US company's own lack of commitment to selling in Japan.

For the Europeans a constellation of favourable factors is making them confident that car imports to Japan are set to grow strongly for the foreseeable future.

- The Japanese Government has given its official blessing to car imports; they have become socially acceptable.
- Gradually over recent years virtually all tariff and non-tariff barriers have been removed, climaxing with last month's momentous tax reforms, which scrapped the commodity or luxury tax on cars. Previously levied at 23 per cent on all cars with engines of more than 2 litres, which include many imported cars, this has been replaced with a 6 per cent VAT rate. The VAT rate will be reduced to 3 per cent after three years. The annual road tax has also been restructured to make it less discriminatory against large cars.

Disparities in Japanese car insurance rates, which had made the cost of insuring a foreign car more than twice the cost of insuring an equivalent domestic car, have been removed.

"All major problems are now solved," says Paysen, "With Europe and 1992 the Japanese are very afraid that there will be limits to market access, so they have hurried to remove all limits in Japan. As of April 1 the market is completely open."

- The prices of imported cars have been falling steadily, both as a result of the rapidly appreciating yen and, most recently, because of the tax changes. The result is that there is no longer any great disparity between imported and domestic car prices. Since 1981 the prices of BMW cars in Japan have never been increased but have been reduced on several occasions. Its current prices are, on average, 8.1 per cent lower than a year ago, but some model prices have been cut as much as 14.5 per cent since the beginning of the year.

Jaguar Japan, in which Jaguar of the UK has a 40 per cent stake, has lowered the price of a 3.6 litre Jaguar XJ6 from Y7.95m in 1988 to Y6.5m in 1989.

- Japanese domestic car makers are determinedly surging up market into larger, more expensive cars powered by bigger engines, an approach which is rapidly expanding the segments of the market, where the importers excel. The price of Nissan and Toyota's latest top-of-the-range model additions, such as Nissan's Cima and Toyota's Crown, are in the same league as models offered by European makers, such as BMW, Mercedes-Benz and Jaguar. The importers are no longer in a rarified price bracket of their own and the market for larger cars is now expanding much more quickly than the generally booming domestic Japanese car market.
- The Japanese life-style is changing, importers claim, from "group orientation to individual orientation as people seek higher quality and more individuality." The search for individualistic expression is extending to luxury products, including most definitely imported cars.

With the density of population and traffic, the lack of space and ubiquitous speed limits Japan is hardly a country in which actually to test the high performance characteristics of many imported cars, but that hardly bothers the European car makers. High performance cars are sold for the image not the actual experience of performance.

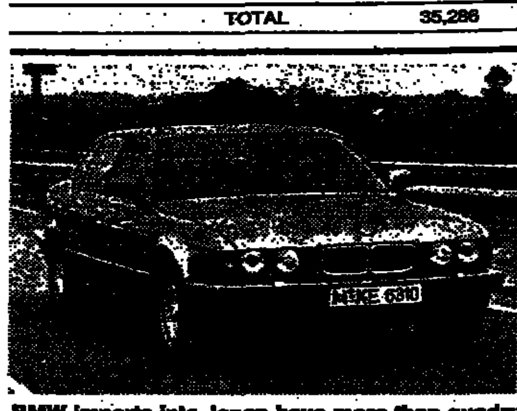
"They own the car, but they don't drive it," says the marketing manager of one importer. "It is such a status symbol like nowhere else in the world. Houses are so impossibly expensive, they cannot express individuality by buying a nice house, so they compensate by buying a French tie, Italian shoes, a Gucci handbag and through the choice of car.

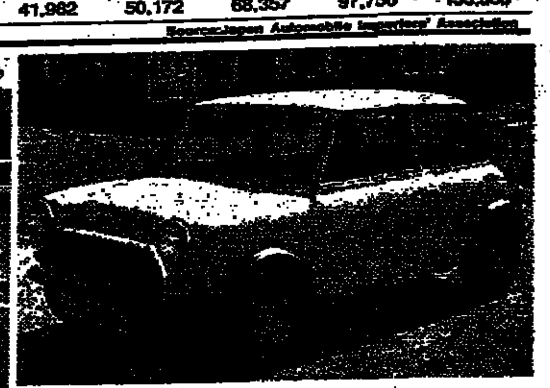
"You can ask why buy a 250 kph car with a 12-cylinder engine. Forget it. It is not a means of transport. If you want to get anywhere you use the train. My average speed in Tokyo is 10 kph, and that's when I am driving fast and aggressively. "They relax in their cars. Their houses and rooms are not very big, in the car you can sit with a chauffeur, read the paper, make phone calls and watch television."

CAR IMPORTS TO JAPAN (units)

Country of origin	Manufacturer	1983	1984	1985	1986	1987	1988
US	General Motors	1,512	1,492	1,285	1,829	2,829	4,344
	Ford	1,074	743	452	406	863	3,809
	Honda US	—	—	—	—	9	5,395
	Others	60	147	99	110	304	[illegible]
	Total	2,646	2,382	1,816	2,345	4,006	14,511
UK	Total	2,210	2,269	2,513	4,033	6,771	8,789
W. Germany	Mercedes-Benz	6,614	7,488	9,194	13,820	18,749	22,625
	BMW	6,298	8,854	11,786	15,250	21,015	26,828
	Volkswagen	9,664	10,238	12,987	16,067	23,740	27,947
	Others	4,211	6,054	6,210	8,779	10,785	14,250
	Total	26,787	32,634	40,157	53,916	74,289	91,648
France	Total	703	871	1,009	1,729	3,933	6,152
Italy	Total	1,696	2,242	2,492	3,046	3,632	4,218
Sweden	Total	1,244	1,490	2,033	3,151	4,698	6,737
Other countries	Total	—	94	152	137	220	613
	TOTAL	35,286	41,982	50,172	68,357	97,750	133,583

Source: Japan Automobile Importers' Association





BMW imports into Japan have more than quadrupled in the last six years, as have those of the Mini, which accounted for 8,733 of Britain's total unit sales there in 1988

Japan is certainly a singular market for imported cars not least because of the confusion over whether to offer right-hand or left-hand drive cars. The Japanese drive on the left like the British, but as a result of earlier decades when American cars dominated the import scene, imported cars have traditionally been associated with left-hand drive cars.

The issue has become confused by image and status consciousness. Japanese import car buyers, especially at the top end of the market, still appear to prefer left-hand drive cars; they are supposed to offer the "original" driving feel.

The surge in import car sales has certainly awakened a wave of interest among the European car makers in the Japanese market, and there has been a rush in the last couple of years by the Europeans to establish new importer and distributor channels.

BMW firmly believes that the only correct strategic long-term decision is to go it alone and show total commitment in the belief that there is no short-cut to success.

Some have not been so single-minded, although the trend is certainly for the importers to take over more of the business. The days when the single Japanese importer, Yanase, dominated the import market are fast fading.

Mercedes-Benz Japan was established in 1986 as a direct sales subsidiary of the parent company, but it distributes through Yanase and through a joint venture with Mitsubishi as well as through directly-appointed dealers. Volkswagen is in the process of establishing Volkswagen Japan this year, although Yanase will keep the import rights for four years, before becoming a VW dealer.

Jaguar linked up with the Seibu department store group to form its Japanese importer in 1986. Opel of West Germany, the General Motors subsidiary, started a joint venture with Isuzu, GM's Japanese affiliate, last year. Volvo has its own 100 per cent owned subsidiary, and is establishing an independent dealer network as well as selling through Subaru (Fuji Heavy Industries). Peugeot has linked with both Austin Rover Japan and Suzuki while it builds up its own importing organisation, while Mazda is to sell both Saab and Lancia cars in Japan.

When BMW took over its local importer in 1981, it inherited a low-profit network of 36 outlets. Today it has 70 dealers with 107 outlets, mostly selling exclusively BMW.

Many importers, not least Chrysler, complain of the complex distribution system in Japan, but the problem can be solved with commitment. "To build our network to its current level was difficult, because it was impossible to break into the tightly protected distribution networks for domestic cars," said Paysen recently. "We responded by developing a network completely on our own, investing time and money under a long-term commitment." In the last ten years BMW has invested Y10bn in Japan, including the building of a Y3.5bn vehicle preparation centre. It is now planning to spend Y7bn on a new headquarters building.

The first article appeared on the Leader Page last Friday.

COMPANY NOTICES

GADEK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the company will be held at the Cempaka Room, Mezzanine Floor, Equatorial Hotel, Jalan Sultan Ismail, Kuala Lumpur, on Monday, 12th June, 1989 at 12.00 noon for the following purposes :

1. To receive and adopt the accounts for the year ended 31st December, 1988 an the directors' and auditors' reports thereon.
2. To sanction the payment of a final dividend of 15 sen gross per share less 35% Malaysian Income Tax.
3. To fix and approve Directors' fees for the year ended 31st December, 1988 amounting to $27,000 (1987: $27,000).
4. To re-elect directors.
5. To appoint auditors and to authorise the directors to fix their remuneration.
6. To transact any other ordinary business.

NOTICE IS ALSO HEREBY GIVEN that the Register of Members will be closed from 2nd June, 1989 to 8th June, 1989, both dates inclusive, for the preparation of dividend warrants. The dividend, if approved by the shareholders, will be paid on 22nd June, 1989 to shareholders registered in the Books of the Company on 1st June, 1989.

Duly completed transfers received by the Company's Registrars, SPK KHIDMAT SDN BHD, at 12th Floor, Wisma SPK, Jalan Sultan Ismail, 50250 Kuala Lumpur, up to 5.00 p.m. on 1st June, 1989 will be registered before entitlements to the dividend are determined.

By Order of the Board

AHMAD SHAHAB HAJI DIN
RIDWAN BIN MUSTAFFA
Secretaries

Kuala Lumpur
Malaysia
15th May, 1989

NOTES
1) A member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company but unless he is, then by the provisions of Section 149(1)(b) of the Companies Act, 1965, he must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
2) The instrument appointing a proxy must be deposited at the registered office of the company not less than 48 hours before the time set for the meeting.
3) There are no contracts of service having an unexpired term of more than one year between any director and the company.

COSTAIN FINANCE N.V.
(Incorporated in the Netherlands Antilles with Limited Liability)

NOTICE
To Holders of 7½ per cent. Guaranteed Redeemable Convertible Preference Shares 2003

In accordance with the provisions of the issue, notice is hereby given that at an Extraordinary General Meeting to be held on 24th May 1989, the ordinary shareholders of Costain Group PLC will, inter alia, consider proposals:

(i) to give general power to the directors of Costain Group PLC to offer new shares in lieu of Cash dividends payable on ordinary shares; and

(ii) to authorise such an offer to be made in respect of the final ordinary dividend of Costain Group PLC for the financial year ended 31st December 1988 and, if the Board so decides, in respect of any other dividends recommended or declared by the Board up to 31st December 1989.

BY ORDER OF THE BOARD

BANQUE INDOSUEZ
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Notice is hereby given pursuant to the terms and conditions of the notes that for the six months from May 16th 1989 to November 15th 1989 the notes will carry an interest of 10,675 per cent per annum.

On November 15th 1989 interest of US Dollars 269.781,25 will be due per US Dollars 5.000.000 note for coupons No 3.

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The interest rate applicable to the above Notes in respect of the six month period commencing 15th May 1989 has been fixed at 10¼% per annum.
The interest amounting to US $52.39 per US $1,000 principal amount of the Notes will be paid on 15th November 1989 against presentation of Coupon No. 18.
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Nature of business: Medical Services
Trade classification: 40
Date of appointment of joint administrative receivers: 28 April 1989
Name of person appointing the joint administrative receivers: Sleipner UK Limited.
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ARTS

Gwynne Howell and Alberto Remedios

Alastair Muir

Mastersingers of Nuremberg

COLISEUM

There is a golden glow about this English National Opera revival, and on Saturday it grew steadily warmer as the evening went on. Not a "patina", such as many a German *Meistersinger* strives for: *their* idealised 16th century exercises no nostalgic pull upon us, and anyway neither the simplified sets here nor the generally fresh-faced cast could conjure up a settled world of smug burghers. In Elijah Moshinsky's production (re-staged by David Ritch) we get instead a fairy tale of kind hearts and universal good will, bobbing and sailing over the sumptuous waves of Wagner's score. It is irresistible, and deeply inspiriting.

If nostalgia has anything to do with it, it is only in being reminded that 21 years ago *The Mastersingers* was the ENO's first great success. That is inescapable – for their original Walther, Alberto Remedios, is back at long last from the Antipodes. Fresh-faced he is not; he looked haggard, haunted and twitchy, and his prospective father-in-law might easily have been his son. With such a singer none of that mattered. His virile tenor is strong and bright as ever, and perhaps even subtler; it is hard to be sure, for his faultless musicianship has always had the gift of seeming innocence. All his art is devoted to giving every phrase the stamp of artless conviction. He sets a noble standard, and it is wonderful to hear.

The all too fresh-faced father-in-law was Brian Bannatyne-Scott (replacing John Connell at the last moment), who made an excellent impression as Pogner in every other respect. His dignified mien was humane and judicious, his fluent bass has a striking individual colour, and he paced the role with thorough understanding. Jane Eaglen's new Eva, a towering model of Teutonic womanhood who can still melt girlishly, wields a matching soprano voice that is surely on its way toward a Brünnhilde. Immense promise, and some grand phrases; she might still lead the great quintet more incisively.

Her Magdalene offers much more than respectful support, for Anne-Marie Owens is not only chubby and bubbly, but once again brings precocious maturity to her music. Bonaventura Bottone repeats his David, a sprightly underdog, and sings with scrupulous elegance (even by the ENO's very high standard for Davids): the range and potential of this clever artist have developed apace. Among the minor roles Patrick Wheatley supplies a sturdy Nightwatchman, and as Kothner Arwel Huw Morgan boasts impeccably crunchy diction as well as a nice sense for rhetorical paragraphs. By and large the other Mastersingers do not suggest power-figures in a small community, but members of a crotchetty little club.

For two acts the Hans Sachs of Gwynne Howell masqueraded rather too successfully as a modest, affable chap, even a bit gormless. In Act 3 he suddenly rose to the proper stature of the character (though one still couldn't believe him as someone who might brood over books all night long); the tough, clear-eyed decency which is Sachs's rare virtue struck home with sonorous force. It sounded as though he'd been saving himself: until then his words had mostly been delivered as light, well-pitched recitative, not sustaining much lyrical thrust. The transformation was splendid when it came, but we ought to recognise Sachs's true weight sooner than that.

The comic-pathetic Beckmesser is again Alan Opie, who keeps him prickly and defensive from the start, rigorously correct according to his blinkered lights, and sings him honestly, without vocal guying. His ignominious retreat at the end of Act 2 was lost in shadows: on this first night, Nick Chelton's usually reliable lighting needed some fine-tuning still.

As in every ENO *Mastersingers*, there is the fullest sense of enthusiastic participation by everybody, and you find yourself surrendering at once. If special credit for that goes to any one person, it is certainly the conductor Mark Elder, who unfolds the score opulently and radiantly. The Prelude was superbly balanced (not least for Wagner's three-tunes-at-once stunt), the choral music full-hearted, the elevated magic in Act 3 realised with bated breath. It all makes an experience of generous rewards: in the afterglow, the world still seems a friendlier place than is remotely likely.

David Murray

Philharmonia

FESTIVAL HALL

Around Maurizio Pollini in Chopin, Gennadi Rozhdestvensky arranged a very rum programme for his Philharmonia concert on Thursday: Edouard Lalo, Rameau/Mottl (yes, Rameau/Mottl) and Honegger's *Pacific 231*. Perhaps he counted on Pollini filling the hall anyway, in which case he will have been slightly disappointed. A fair number of the under-capacity audience slipped in just for Pollini, and/or slipped away during the later proceedings.

Chopin's F minor Piano Concerto found Pollini in superlative form. Not only was his fabled control of the keyboard at its gleaming, thoroughly musical best, but he allowed himself more imaginative free play than he normally approves. There were delicate, surprising emphases in his phrasing, and plenty of candid rubato (nothing gross, you understand), as well as all his usual resources of translucent tone and brilliantly varied touch. To the central "Romanze" he brought a lyrical sobriety which sounded classical, though the music retained its Romantic flow; and he polished details of the finale to a rare brightness.

Once past a murky introduction, Rozhdestvensky's orchestra supplied everything required. Except perhaps an extra ten minutes of rehearsal: Pollini chose a curiously decorous pace for the Bellini-esque tune in the finale, and the springing string-accompaniment got adjusted to it rather late each time round. Otherwise there was alert support for all Pollini's ideas, and scrupulous care to leave him the foreground throughout.

Felix Mottl's arrangements of Rameau dances were apparently popular with our grandfathers, but even with Rozhdestvensky busily seeking for moments of life in them they seemed tedious fare now – period-translations into a juiceless orchestral idiom. As for Lalo's G minor Symphony, which the conductor presumably holds in some affection, it is surely too late to make it sound persuasive. Rozhdestvensky contrived at least to make it *interesting*, with sudden passionate surges in the Adagio which might have dismayed Lalo and a breakneck finale which did the Philharmonia's technique proud.

As did *Pacific 231*, in which I do not remember an orchestra taking so much trouble to play the right notes, many of which are seriously inconvenient. Unlike the Lalo it developed a terrific impetus in its seven minutes that owed hardly less to cogent, if simple, construction than to sheer instrumental attack. It is a flashy piece, but bears traces of musical thinking, of which the extended Lalo is all too innocent.

David Murray

Magnificent gift to the profession

Colin Amery describes the new Canadian Centre for Architecture in Montreal

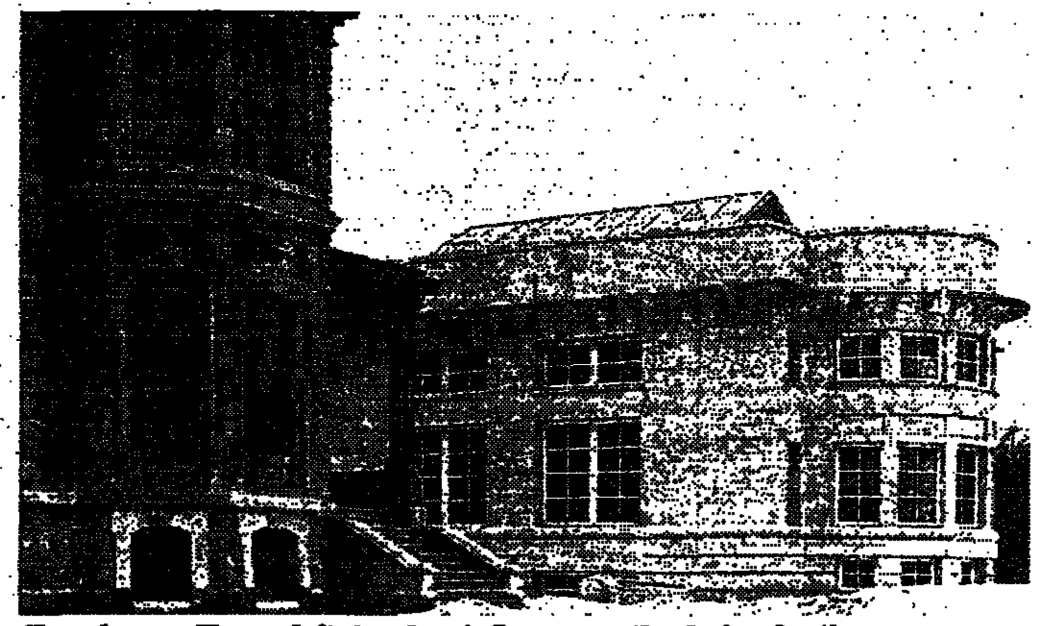
The world has been given a magnificent architectural present. The opening of the Canadian Centre for Architecture in Montreal last week is an important international event. It is hard to overestimate the importance of this munificent donation both to the profession and, in my view more importantly, to the public.

The gift consists of major new galleries, a drawings collection which is already in the top international division, a library and study centre. The new building is 150,000 square feet and is staffed by more than 100 people.

The whole centre is the gift of one person, Mrs Phyllis Lambert, a daughter of the late Samuel Bronfman, the founder of Seagram, the Canadian wine and spirits company.

A lifelong enthusiasm for architecture led her to collect the drawings and photographs which are the core of the collection. She has set herself a difficult task in Montreal: to make the scholarship that underlies the collection accessible to the public and to show that architecture should not be of interest simply to an élite.

The history of the Canadian Centre for Architecture goes back to 1979 when it was founded as a study centre and museum. In the same year, at a meeting in Helsinki, the International Confederation of Architectural Museums was founded to establish an international context for the study of architecture in relation to museums and exhibitions.



Shaughnessy House, left, is a key influence on the design for the Canadian Centre for Architecture: the new scholars' wing is on the right

Phyllis Lambert is now the director of the centre, so it will continue to bear the mark of her decisions. But her involvement is even more complex. She worked as consulting architect on the centre; at the opening, Mrs Lambert described Peter Rose as the master architect, but it is clear that the final solution reflects her wishes. The Sir John Soane Museum, founded in London in 1833, is the only comparable institution in bearing so strongly the mark of its creator.

The centre is situated at the Western end of the city, close to the foot of Mount Royal, on what was until recently the Boulevard Dorchester, now called Boulevard René Lévesque. The new building has an old heart; the 1874 Shaughnessy House, originally built as two adjoining French Second Empire houses, now stands at its centre. The house was purchased by Mrs Lambert in 1974 to save it from demolition.

The grey limestone is typical of Montreal and the galvanised steel cornice and decorative wrought iron rooftop balustrade are all reflected in the new building. The mixture of stone and metal in the 19th century house was a key influence on the late 20th design of the museum.

Tall windows mark the entrance and the library, and a trio of more tall windows indicate the bookshop. The example suggested by that long, subtly articulated stony mass, is the Viceroy's House in New Delhi by Sir Edwin Lutyens. There are other reminders of Lutyens, too: the entrance hall with its beautiful exposed stone walls, the shallow domed circular spaces at the top of the main granite staircase, and the way the architect has achieved a cool marriage of classicism and contemporary needs while resorting to the minimum of stylistic tricks.

The interior already has an established dignity. Peter Rose and his associates have solved many of the problems of the contemporary art gallery. I would have expected very low light levels, which is indeed the case, but Rose has brought a level of daylight into the main galleries in a subtle and imaginative way. It is no exaggeration to say that he has learned from Borromini's churches and has mastered the secret of controlled high level light.

The aesthetic of the interior follows the simple recipe of maple floors, stone or plaster walls and, for particular areas, an elegant maple wood panelling that resembles rustication. Sound levels are good with no carpet or special acoustic treatment to the ceilings. The architects have used a considerable amount of anodized aluminium for railings, balustrades and some of the furniture supports. The mixture of a bolted, somewhat industrial, aesthetic with the classically proportioned spaces is controversial but, in my view, successful.

The wonderful thing is that the centre and the collections are entirely devoted to architecture. The holdings in library and archive, particularly from the 18th century onwards, match the highest world standards. The collection of architectural photography is the best in the world.

Much Ado About Nothing

STRAND THEATRE

In the Strand Theatre ad hoc company revival of Chekhov's *Ivanov*, led by Alan Bates and Felicity Kendal, the New Expressionism linked arms with Simon Gray. Modernism takes a back seat in the same company's version of Shakespeare's prosiest comedy. But bland neutrality, as in the Kenneth Branagh West End Shakespeares, is thankfully eschewed.

Lightly played and sunnily lit, Elijah Moshinsky's production challenges various RSC orthodoxies of Edwardian colonial and post-Brechtian settings, reverting to the simple but irrefutable assertion of John Gielgud that this is an outdoor play of the sexually explicit Renaissance. The double entendre is easily cracked, the charge of infidelity a matter of public concern.

The scene of Hero's denunciation in the church is played *en plein air* against an azure sky, the congregation dressed in ceremonial white attire. The priest officiates with his back to us. This crucial switch is typical of a refreshing physical confidence in the staging.

Only one area of Moshinsky's work is seriously inferior to what you might expect at the RSC or any permanent ensemble: Dogberry and the watch are woefully unfunny, although Peter Sallis enlivens his constable plod with a gleefully drunken appropriation of the messenger's report of Don John's apprehension.

He leers this news from an Advent Calender aperture on Mark Thompson's brightly primitivist facade which resembles the components of a Chinese puzzle pierced with an off-centre proscenium gap. Don Pedro's good friend Al Fresco has obviously had a hand in all this. Felicity Kendal's tight-jawed, bespectacled Beatrice anticipates her soldier's return at a heaving lunch table; Dogberry keeps the watch by a picnic basket; the cellist from Terry Hands's glossy RSC platform for Jacobi and Sinead Cusack wanders on between "Kill Claudio" and the hatching of the vengeance counterplot.

The matching of Beatrice and Benedick is founded on the idea that both have flawed vision. This gag has a glorious pay-off in the sonnet reading at the end, Kendal pushing her nose up against parchment while Bates fastidiously extends his arm. Here is the long and short-sightedness of it all in a clinching visual (sic) statement.

In the farcical entrapment scenes, Bates flaps in and out of a door while Philip Franks's susceptible chinless wonder of a Claudio initiates a beautiful setting (by Stephen Oliver) of "Sigh no more." He is joined in harmony by Frank Thornton's genially manipulative Leonato and the bluff Prince of Nicky Henson.

Bates has the opportunity here, as he does not in *Ivanov*, of showing the infection take hold. His transition from disinterest to self-interest is the evening's biggest comic leap. In contrast, Kendal flutters like the alleged lapwing in the orchard in an expressive shadow play behind a beige traverse curtain. She powerfully locates the centre of Beatrice's new experience in her reaction to the disgrace of Hero (Karen Ascoe).

The too camp campanology that opens the second half is a serious error. Otherwise, the narrative development is clearly relayed, and there are good support performances from Cherith Mellor as an explosively humorous Ursula, Sheila Steafel as the dummy whore Margaret, and Robert Gwilym as a pony-tailed, piratical and nastily jealous Don John.

Michael Coveney

La sonnambula

NEW THEATRE, CARDIFF

Helmut Polixa's *Sonnambula* caused some distress and controversy among Bellinians when it was first mounted in Paris in February. It has now arrived in Cardiff, as the latest instalment of the Welsh National Opera's *bel canto* series, and it is rather hard to understand what the French fuss was all about.

Polixa transplants the action from the Switzerland of Romani's libretto to the fertile ground of Amina's memory. Everything in Kathrin Kegler's cool, clean designs is sunlit sky-blue, and the vistas roll on for ever; visions of the pastoral, heavily romanticised sometimes flit across the background, and surreal imagery is wheeled in for the pointful moments.

At times the vision fades; gauzes descend, the scene darkens, as if Amina is fighting to maintain a grip on past excitements when her daily life with Elvino has lapsed into dull routine. Polixa is delivering a lecture upon awakening sexuality and on the gap between Amina's aspirations and her reasonable expectations of married life, but we have been there so many times before, and it is all presented with such little dramatic flair, insight or sensuality that any potential for exploiting the tension between Bellini's music and what the stage business is transacting is squandered. The claim for Bellini as one of the fathers of modernism made by the director in a programme essay seems so much flannel. If the Paris audience misbehaved it was simply because they were bored.

Polixa's sententious point-making is combined with musical direction by Julian Smith that is reverential and correct to the point of punctiliousness. He opens out every traditional cut in the score (and indeed makes one of the restorations, the beautiful canonic quartet in the second act, the evening's modest highpoint), and conducts everything at a measured pace so that the music never gains a real head of steam. Had the singers collectively been more stylish it could have worked, but too often one was mentally urging the music forward, and mentally reaching the end of an aria before the performers.

Vocal interest centred upon Valeria Esposito, the most recent winner of the Cardiff Singer of the World award, and making her company debut as Amina. She began promisingly in "Come per me sereno" and the cabaletta afterwards where the highest register seemed secure, true and freely produced, but her intonation thereafter was alarmingly approximate anywhere near the treble stave, and tone in the lowest register became uncomfortably coarse.

Peter Bronder was an effortful, unlikely looking Elvino, and Geoffrey Moses a lugubrious Rodolfo.

The brightest spots were provided by Eirian Davies's Lisa, who sang with style and attack – why anyone in that benighted Swiss village should have preferred this Amina to this Lisa is beyond my simple tastes – and Beverley Mills's capable, nicely phrased Teresa.

The chorus too produced first-rate attack; Polixa's concept required them to be strictly regimented and unsmiling much of the time, and to descend into below-stage trenches to peep over the edge, Munchkin-like, for the final sleepwalk. The point of that failed to register – symbolism was either banally obvious or wilfully opaque, and almost enough to make one wish for old-fashioned naturalism, with real mountains, roof tops and a cast that knew what was expected of it.

Andrew Clements

ARTS GUIDE May 12-18

MUSIC

London

Royal Philharmonic Orchestra, conducted by Andrew Litton, with Heinz Holliger (oboe). Weber, Mozart, Rachmaninov. Barbican Hall (Tue) (638 8891).
The Philharmonia conducted by Vaclav Neumann, with Viktoria Postnikova (piano), Dvorak Rachmaninov, Beethoven. Royal Festival Hall. (Tue) (928 8800).
English Chamber Orchestra, conducted by Sir Charles Mackerras, the Handel classics, 7.45pm (Wed), Barbican Hall (638 8891).
City of London Sinfonia conducted by Richard Hickox, Royal Festival Hall. (928 8800) (Wed).

Paris

Marc Laforet, (piano). Chopin. (Tue) Salle Gaveau (45632030).
Radu Lupu, (piano). Bach, Mozart, Schubert. (Tue) Salle Pleyel(45638873).
Orchestre National de France, conducted by Georges Prêtre, with Oscar Shumsky (violin). Rimsky-Korsakov, Prokofiev, Dvorak. (Tue) Théâtre des Champs Elysées (47203637).
Choeur et Orchestre des Grandes Ecoles conducted by Benoit Girault. Beethoven (Wed) Salle Pleyel (45638873).
Irene Kudela, (piano), with Peter Keller (tenor), Marie Boyer (alto) and members of the Radio France Choir. Janacek (Wed) Radio France Studio 106 (42301516).

Cologne

Orchestra of the 18th Century conducted by Frans Brüggen with works by Jean-Philippe Rameau. Beethoven. Philharmonie. (Thurs).

Schwetzingen Festival

Schwetzingen Rococo Theatre presents a festival from April 29 to June 9 with a mixed programme of opera, chamber music and theatre. The Cologne Opera is represented by two Rossini operas in Michael Hampe's productions. Berlin commemorates the 125th anniversary of Richard Strauss' birthday with *Ariadne auf Naxos*, produced by Erhard Fischer. Other highlights are Lieder recitals by Lucia Popp, Rene Kollo, Eva Lind, Francisco Araiza and Tom Krause. The concerts feature Stuttgart's Radio Orchestra, Virtuosi Saxoniae, conducted by Ludwig Guettler, Württemberg Chamber Orchestra with conductor Jörg Faerber, Camerata Bern and Haydn's *Die Schöpfung* with Stuttgart's Radio Orchestra under Neville Marriner. Ballet performances and theatre activities round off an interesting programme. Schlossplatz, 683 Schwetzingen (06202/4933).

Milan

London Sinfonietta, conducted by Anthony Pay. Mozart, Stravinsky, Edgar Varese and Colin Matthews. (Mon) Teatro alla Scala (80.91.26).

Florence

Felicity Lott, soprano recital with Graham Johnson. Strauss, Listz, Duparc and Poulenc. Maggio Musicale, Teatro della Pergola (Tues) (2479651).

Rome

John Elwes, (tenor). Monteverdi, Riccio, Praetorius, Grandi, Cornetti and Merulo. (Wed) Teatro Olimpico (393304).

Amsterdam

Michail Schopper (bass) accompanied by Andreas Staier on the forteplano. Schubert (Thur). Concertgebouw (718 345).
Netherlands Philharmonic Chamber Orchestra under Hartmut Haenchen, with Maria-Joao Pires (piano). Beethoven (Thur). Beurs (27 04 66).

New York

New York Philharmonic conducted by Zubin Mehta with Paul Tobias (cello), Peter Orth (piano) and Kyoko Takezawa (violin). Barber, Rachmaninov, Bartok. Avery Fisher Hall (Thur) (874 6770).

Washington

National Symphony Orchestra conducted by James Conlon with John Aler (tenor). Shostakovich, Britten, Dvorak. Kennedy Center Concert Hall (Tue) (254 3776).
Fairfax Symphony Orchestra with the Paul Hill Chorale. Programme of great opera choruses. Kennedy Center Concert Hall (Wed). (254 3776).

Chicago

Chicago Symphony Orchestra, conducted by Sir Georg Solti with Anne Sophie von Otter (mezzo-soprano) with the Chicago Symphony Chorus. Berlioz programme. Orchestra Hall (Thur) (435 0012).

Stevie Wonder

WEMBLEY ARENA

Stevie Wonder was 39 on Saturday and over 10,000 came to the party. He is probably the most popular entertainer in show business ... He may not sell so many records as in the 70s (and 60s), but no one has a bad word for this kindly genius, blind from the cradle, who works ceaselessly, with relentless good humour, to raise the pride and expectations of his race. The spontaneous chorus of Happy Birthday was heartfelt.

He paid it back in full, performing for three hours with a spectacle that can only be called state of the art.

Why then did a restlessness set in after the first 90 minutes, thoughts wandering off into the mundane? Partly because in his 26-year career Wonder has written some pretty mushy songs; partly because with so much time on his hands he was inclined to doodle, throwing in snatches of a melody, like "Sir Duke", and allowing his voice to degenerate into scat. Wonder is not nearly so insultingly familiar with his licking of the audience as Diana Ross, but the lengthy instructions on how to behave in his "house" ... no smoking, compulsory handclapping, meticulous rehearsal of choruses ... gave the impression that you had wandered into the camp of some firm but fair scoutmaster.

Under strict instructions to have a good time, it was hard not to feel bloodyminded, although the audience, a market researcher's dream of a representative national sample, loved it all. Only when he reached "This Time could be Goodbye" did the real genius of the man filter through, and as we entered the final strait the hits came to the aid of the party – "My Cherie Amour", "Superstition", "Uptight", the well-loved musical memories of a generation.

Meeting them again en masse, in this so-well-appointed showcase, they carried a certain lightness. Wonder is supreme at the simple melody, the nagging riff that touches the superficial spot. A song like "I just called to say I love you" represents commercial perfection: it's as infectious as a nursery rhyme and as profound. The packaging was in danger of overwhelming the product. No one is nicer, more humane, than Wonder, but his songs are too universal to be personal. A new one, "Why?", sounded just like a Paul McCartney composition, and of course the two combined on the idealistic "Ebony and Ivory". Perhaps this simplicity ensures that Stevie Wonder can stay, in spite of his millions, a man of the people?

Antony Thorncroft

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Monday May 15 1989

Bush shows his hand

NEITHER OF the declarations made by the leaders of the two superpowers at the end of last week were as earth-shaking as might have been hoped. But they have served at least one important purpose: they have given a much-needed jolt to the east-west chessboard, which has remained unusually becalmed since President Bush became master of the White House at the beginning of the year.

If much of Mr Bush's speech in Texas echoed the previous Administration's policy towards the Soviet Union, at least during its final phase, it was nevertheless important that he should be on record with certain fundamental precepts. Thus, the US President's keynote statement that it was time to move beyond the policy of "containment" of the Soviet Union to one of seeking its integration into "the community of nations," can hardly fail to be welcomed in Moscow, in spite of its somewhat patronising air. It was clearly intended to send a signal to Mr Gorbachev that US foreign policy in the 1990s will continue to be based on co-operation with the Soviet Union on the solution of major international problems.

Reforms backed

Nor did Mr Bush leave any doubt in anyone's mind that the US fully supports Mr Gorbachev's reform programmes, while insisting that much more remains to be done, particularly in the fields of emigration and political freedom. Western pressure, after all, was largely responsible for opening the Soviet Union's doors to tens of thousands of mainly Jewish emigrants wishing to make a new life elsewhere. It therefore makes good sense for the new US President to reassert the West's demand that this - and other basic human rights - should be enshrined in Soviet law if Moscow wants to benefit from "Most Favoured Nation" trade treatment.

However, it was the generally positive attitude towards Mr Gorbachev's Soviet Union, rather than any specific demands or proposals, which gave the speech its importance. The Soviet leader now at least knows he can do business with President Bush. With his announcement that the Soviet Union would unilaterally withdraw 500 short-range nuclear warheads from Europe, Mr Gorbachev made it clear that the business to which he wants to give priority is still arms control.

The timing, if not the contents of his proposal, was as usual impeccable. It was made only a little more than two weeks before the Nato summit in Brussels and at a moment of maximum disarray between the Western allies over the Soviet offer to open negotiations on the reduction of tactical nuclear weapons systems based in Europe.

To maintain, however, that Mr Gorbachev's move is merely a device intended to exploit disagreements between the US and Britain, strong opponents of negotiations on short-range nuclear missiles, and West Germany and some other Nato members, who favour early talks with Moscow, is clearly an over-simplification. Certainly, the withdrawal of only 5 to 10 per cent of the Warsaw Pact's estimated force of 10,000 tactical nuclear warheads in Europe would not be of great military significance. But it is a start, and in conjunction with the latest Soviet proposal for conventional troop cuts - close to Nato's own offer - it is another sign that the desperate state of the Soviet economy is likely to push Mr Gorbachev into more and more concessions on the arms front.

That is an opportunity which the West, which is mainly interested in reducing the Warsaw Pact's superiority in conventional forces, but which also has a great interest in reducing the East's overwhelming advantage in tactical nuclear weaponry, should not miss. By holding out the prospect of talks on the reduction, but not the abolition, of short-range nuclear missiles, once sufficient progress has been made in the Vienna conventional arms talks, both objectives can be attained. Such a formula would preserve Nato's strategy based on a mix of nuclear and conventional weapons, serve as the basis of a compromise at the Alliance's summit at the end of this month and thus open the door to further constructive negotiations with the Warsaw Pact.

The eclipse of Dr Owen

LIKE THE Cheshire cat, Dr David Owen seems to be fading from a position of substance within British politics. If matters continue as they are, there will soon be little more than the famous smile left. This is regrettable, since his small "continuing" version of the Social Democratic Party constitutes a useful model for other parties. It shows the rest what a truly non-socialist, non-corporatist Opposition to Mrs Margaret Thatcher's Conservative administration might most usefully stand for. Dr Owen's SDP has scorned "fudge and mudge" on disarmament and national security. It is a whole-hearted and convincing supporter of the social market economy. Yet it is also non-Thatcherite on the broad social issues, such as management of the National Health Service.

It is, however, now down to 11,000 members, a small fraction of its peak at the time of the Alliance with the Liberal Party. It has three Members of Parliament and it won only a handful of seats in the recent local council elections in England and Wales. It is hardly surprising that over the weekend the party decided to scale down to a bare minimum the number of candidates it will put up at the forthcoming elections to the European Parliament. It has abandoned its former aspiration to be regarded as a national political party, and will in future operate on a "selective campaigning basis."

Watershed

This is a watershed in the history of centre-left politics. It is just over eight years since the founding Limehouse Declaration was issued, outside Dr Owen's house in the East End of London. It constituted both an act of despair at the capture of the Labour Party by the Left and an affirmation of hope that a continental European-style social democratic party could be created in Britain. Lord (Roy) Jenkins, Mrs Shirley Williams, and Mr Bill Rodgers made up, with Dr Owen, a "gang of four" who led a significant group of schismatics away from Labour. The political beneficiaries have been the Conservatives. Yet there were times in the past eight years during which the original SDP, in alliance with the Liberal Party, seemed close to making a major breakthrough.

After a relatively disappointing performance in the 1987 election Dr Owen refused to cement the Alliance by merging with the Liberals. It was the beginning of the end. The merged Social and Liberal Democratic party has not yet found its feet, although it might be said to be having some success in its struggle to obliterate Dr Owen's SDP. The leader of the Democrats, Mr Paddy Ashdown, may hope to do better with the SDP out of the way; it is by no means certain that this wish will be fulfilled. For Labour has learned something (albeit not yet enough) from the experience of the Alliance years. Its leaders are aware that seats will not fall to Labour in the South East of England unless it adopts a more positive approach to the market and nuclear defence and distances itself from corporatism and the embrace of the trade unions.

Now defunct

Since the now defunct Alliance held second place in many south-eastern contests in 1987, the Democrats believe that Labour cannot win the next general election without them. They may be wrong. It is more likely that Labour would do best to continue the process of policy reform whose first fruits were announced last week until it is seen to have vanquished the Left within the party. Even then, many former Labour voters will remain doubtful of the value of the new policies while old Labour delusions shine though.

Future historians are unlikely to reach agreement on whether or not either the gang of four acting together or Dr Owen acting alone have accelerated the process of constructing an electable, non-socialist opposition in Britain. What seems clear today is that the process is not complete - and that the Labour Party will not have done enough until it takes on board a great deal more of Dr Owen's approach to the central issues of contemporary politics.

Colina MacDougall and **Quentin Peel** on the Soviet leader's visit to Peking

A door opens for Mr Gorbachev

When former president Richard Nixon arrived in Peking on his first trip to China in 1972, he visibly caught his breath at the top of the aircraft steps. He was awed at the sight of China's leaders lined up on the tarmac, and by the prospect of an end to the historic Sino-US rift which had encompassed two disastrous wars (Korea and Vietnam) and a generation of enmity. It was, he said later, the only time in adulthood that uncertainty made him feel like an adolescent.

Today Mikhail Gorbachev, the Soviet leader, arrives in Peking to signal the end to a similarly historic split, though if he feels hesitation like Mr Nixon he is unlikely to show it. The summit itself is not expected to produce surprises, since the work on removing the main hurdles to an improved relationship has mostly been done. Soviet troops have left Afghanistan and been cut back on the Sino-Soviet border, while Moscow is urging the Vietnamese to speed up their withdrawal from Cambodia.

The importance of the summit is mainly symbolic. It will set the final seal on what the Chinese call "normalisation" of relations. While the internal arrangements for Cambodia after the Vietnamese leave are still unsettled and may be discussed at Mr Gorbachev's meetings, that they will depart is not at issue.

After almost 30 years of rivalry, name-calling and occasional bloodshed on their common border, both sides now have more in common than at any time since the heyday of Sino-Soviet friendship in the early 1950s. But the new relationship will be nothing like the old big-brother-little-brother bond. Mr Gorbachev has effectively petitioned to come to Peking, and for the Chinese the new party links will be no different from links with other parties anywhere.

But in the past few weeks an unforeseen factor has emerged on Peking's streets, the student demonstrations fired by the death of former party leader Hu Yaobang in mid-April. To the students, the Soviet architect of *glasnost* is a hero, and they chanted his name in support of their demands for more democracy.

Any student demonstrations during Mr Gorbachev's visit will be deeply embarrassing to Soviet as well as Chinese leaders. The USSR no longer wants to be seen as any kind of model for China, not even of *glasnost*. It is too reminiscent of Soviet high-handedness in the 50s.

For the Chinese, the student protests destroy their comfortable theory that one can have economic without political reform. The protests have also underlined the fading of Deng Xiaoping, the architect of China's reform, who has been one of the students' targets. "Deng is now a lame-duck leader", says one observer.

The Chinese are still cautious about what they can expect of the new relationship. "It remains to be tested by practical deeds and time as to whether the Soviet Union can thoroughly correct its deep-rooted big-nation chauvinism and hegemonism under the guidance of Mr Gorbachev's new thinking", thundered the official Peking Review last week, in the language of the Sino-Soviet rift.

The past is still potent. The Chinese have not forgotten Soviet fury when in the 1950s and 1960s Mao claimed ideological superiority. They remember Khrushchev's denial to them of promised nuclear weapons in 1959, the way he crippled Chinese industry by pulling out Soviet technicians in 1960 and the ferocious competition through the following decades for allies in the Third World.

In the 60s these issues were aggravated by the spectacular clash of egos between Mao and Khrushchev. The relationship went from bad to worse till, during the chaos of the 1966-69 Cultural Revolution, Moscow began to contemplate a military strike against Peking. The Russians finally gave up the idea, but in 1969 fighting broke out over the Ussuri River border

It is a measure of Mr Gorbachev's determination to get a new deal with China that against this background he has made the effort to all but meet the three Chinese pre-conditions. The Soviet withdrawal from Afghanistan is complete. The pull-back of Soviet troops from the Sino-Soviet border is under way.

The emergent Sino-Soviet relationship will give the global kaleidoscope its biggest shake in years. Perhaps least affected will be the China-US tie, which has its own momentum and is no longer based on the concept of counterweights to the Soviet Union. No Washington alarm bells are ringing at the growing Sino-Soviet bonds. Sino-US links – often about technical transfer, investment or education – are different in kind from the emerging Sino-Soviet relationship which will be between two huge adjoining powers with many common problems.

Post-summit relationships in Asia are likely to become more flexible and complex. China will grow in importance as a regional power as the Soviets withdraw militarily. Vietnam will be able to come in out of the cold where its 1970s invasion of Cambodia landed it. At the least, Mr Gorbachev must now be hoping that someone else – the US? China? – will share the burden of propping up Vietnam's pauperised economy.

The biggest follow-up to a warmer Sino-Soviet relationship may be with Japan. Mr Gorbachev has shown he has the push to make difficult concessions. Urged on by his desire to involve the Soviet Union in the growth of the Pacific Rim countries, he might apply the same dynamism to the frozen Soviet-Japanese relationship.

The big stumbling block in this is the question of the four northern isles claimed by Japan (the Kuriles) but occupied and heavily militarised by the USSR since World War Two. On the other hand, if Mr Gorbachev decided to make a move on these, Tokyo, with its leadership in total disarray after the Recruit scandal, would be at a loss to know how to respond.

Elsewhere in Asia there should be a lessening of tension. Thailand and the other Asean countries can relax as the "domino theory" of the 60s (where one country after another falls to communism) has finally been disproved. As Sino-Soviet competition shrinks, India's links to Moscow and Pakistan's to Peking may soften. With the Soviets out of Afghanistan, the U.S. also will be less involved with Pakistan and regional rather than great-power issues will surface.

Mr Rajiv Gandhi, the Indian premier, has already paid the first high-level Indian visit to China in years to ensure that Delhi was not left out of new geopolitical arrangements. Ms Benazir Bhutto, premier of Pakistan, has done the same.

This new regionalism gives China a more solid basis for a foreign policy than the years of exporting ideology or the profound enmities of the Sino-US and Sino-Soviet splits. Tension in Asia and elsewhere will slacken. Most beneficial, in future Soviet and Chinese influence will be able to co-exist.

THE MOST remarkable thing about the Soviet Union's love-hate relationship with China in recent years has been the extent to which Mr Mikhail Gorbachev and his colleagues have been such gluttons for punishment.

Ever since Moscow began attempting to end almost three decades of ideological confrontation between erstwhile comrades - a process which started, to be fair, back in the pre-Gorbachev days of 1982, when Mr Andrei Gromyko was Foreign Minister - the Soviet Union has kept knocking at the door in spite of getting regular rebuffs.

On every one of Peking's preconditions for normalising relations - the famous "three obstacles" – Moscow has finally given way. It has completed its ignominious withdrawal from Afghanistan, although Chinese pressure there was only one factor among many, of which the most important was a realisation that the war could not be won. It has brought heavy pressure to bear on Vietnam to pull out of Cambodia, with partial success. And it has finally promised border troop cuts of at least 200,000 men in the Soviet Far East, with a symbolic withdrawal of three-quarters of its troops in neighbouring Mongolia to begin today, just as Mr Gorbachev lands in Peking.

The Soviet Union has made it clear that it wants the whole gamut of bilateral relations – diplomatic, commercial, and above all political – back to normal. China has gone on playing hard to get.

So why is Mr Gorbachev so keen, to the extent of losing face? What is in it for the Kremlin that makes it so anxious for the process to succeed?

In the first place, the whole affair is heavily symbolic for the visible external success of the Soviet leader's otherwise ailing perestroika process. Just as President Reagan's renunciation of the "evil empire" epithet, as he strolled around the Kremlin, set the seal on a new era of Soviet-American relations, so a handshake with Deng Xiaoping is what Mr Gorbachev needs to exorcise the Soviet foreign policy blunders of the "era of stagnation" under Leonid Brezhnev.

But it goes deeper than mere symbolism. "Normalisation" for Mr Gorbachev means external stability: a removal of areas of uncertainty around the over-extended Soviet empire. China is the greatest of those.

The 4,500 miles of Sino-Soviet border, riddled with areas of potential demarcation disputes along the Amur and Ussuri rivers, have already shown their potential for causing armed confrontation. The cost of defending that huge frontier is one of the biggest elements in the crippling Soviet conventional defence budget, and therefore one of the most obvious areas for big savings.

A normalised Sino-Soviet relationship is also seen in Moscow as a way of enabling the Soviet Union to re-enter the international economy – in this case via the booming Asian-Pacific region. The Soviet economy remains highly centralised and controlled, in spite of perestroika, and state-controlled barter links to another socialist economy appear an easier and quicker way forward than efforts to attract large volumes of capitalist trade and investment.

However, as a Chinese Soviet-watcher warned a recent conference in Vladivostok: "The Asian-Pacific express has already left the station. We are still not sure if we have caught it, but you have not even started running." Hence Mr Gorbachev's sense of urgency.

Moscow sees the bilateral economic relationship as important in itself. Soviet analysts continually stress the availability of Soviet raw materials in Siberia and the Far East region, there to be traded for sorely needed consumer goods from China. And Chinese labour and investment could play a bigger role in developing those areas, if the Soviet Union would only relax its immigration controls.

China can also help Mr Gorbachev's diplomatic strategy in Asia and the Pacific, especially as Japan and the US are still very sceptical about it. He has underlined China's role as a permanent member of the UN Security Council, and therefore an essential interlocutor. He wants to see the European disarmament process extended to the Pacific, but he needs China's support to persuade the others that the Soviet Union really is a Pacific power and deserves a full place at the table.

Finally, Mr Gorbachev urgently wants reconciliation. Acceptance of socialist pluralism – recognition that socialist states can choose different paths in their reform processes – is now a genuine part of Soviet external policy. Restoring Communist Party-to-Party relations would give the policy credibility.

Mr Gorbachev also recognises that he has lessons to learn from Peking. The failure of Soviet agriculture is the bane of his life, and that is one area where Deng's revolution has been far more successful: Mr Gorbachev will see the evidence wherever he goes in Peking or Shanghai, in the relative plenty in the shops.

He also wants to see how China has launched its special economic zones – he will visit one in Shanghai – to attract foreign investment. He wants an answer to the question: why are foreign investors not flocking into the Soviet Union?

It is Mr Gorbachev, not Mr Deng, who wants something from the relationship.

OBSERVER

Full frontal bureaucrats

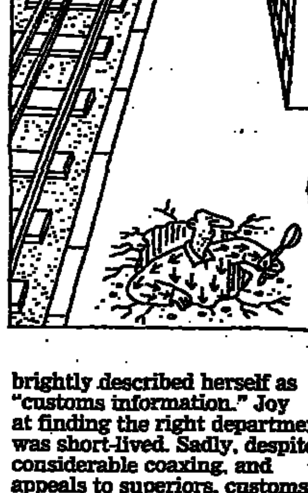
■ Mrs Thatcher believes, naturally, that she has brought the British bureaucracy to heel, which probably explains why she gets agitated when Brussels, where her writ runs less far, proposes anything. She certainly demonstrated her domestic control last week when her Government proved that; court injunctions notwithstanding, the mail could be delivered with remarkable speed, which is not a luxury that most of us enjoy even on the rare occasions the stamp machines are working.

The basic problem, for those with less leverage, is to know which button to press in the bureaucracy when things go wrong. Thus it can only be welcomed that a whiff of glasnost is blowing through Whitehall. British civil servants have actually agreed to show their faces in a new magazine, Business & Government, launched last week.

Ironically, the man who unlocked the doors of Whitehall to the publishers was Sir Brian Hayes, permanent secretary at the Department of Trade and Industry, and one of the most reticent mandarins. Indeed most of Whitehall's top brass, conscious of the fact that they are supposed to be heard but not seen (cabinet ministers perform the reverse function) looked askance at the initial approach from the publishers of the new venture.

Sir Brian, however, decided that since it is his department's policy to foster contacts between government and business, the magazine initiative should not be stalled. He wrote to all the permanent secretaries suggesting that they meet the publishers, which they did; and logically, too, since the civil service can be very big business. For instance, Steve Matheson, in charge of the computerisation of the Inland Revenue's PAYE scheme of tax, profiled in the first edition, will place an order for 35,000 computer terminals this year.

As for the pictures, civil servants do not look very different from businessmen, except perhaps for a few more beards. But the facts are bare and the gossip minimal. There is clearly a way to go before it approaches a comparable Japanese exercise, which sometimes runs to interesting digressions on golf handicaps and drinking capacity and preferences.



Deaf ones

■ However, one swallow does not a summer make and the new magazine is going to have to overcome an ingrained preference for secrecy. A colleague, a non-native with much experience in the third world, where nods, winks, and the transference of hard currency can get things done, feels that the British bureaucratic obsession with the rule book goes too far.

His latest encounter involves the receipt through the international post of a few floppy disks full of statistics about China. HM Customs and Excise sent out a fistful of forms, none of which seemed to apply. But he was impressed, in a way, when he finally found mimeographed instructions that said precisely that – that the forms were not relevant. So he threw them out, save for two pages that had to be returned, presumably in quintuplicate.

These said he needed to write in the appropriate space a "commodity code," which could be obtained by dialling a London number. Sure enough, after dialling that number, which was wrong, and then another, which was also wrong but at least knew someone who knew someone who knew the right one, he was finally being put through to a cheerful voice who brightly described herself as "customs information." Joy at finding the right department was short-lived. Sadly, despite considerable coaxing, and appeals to superiors, customs information is *not* permitted to say anything about commodity codes on the telephone. He is therefore still codeless. . . .and diskless. But secrecy has been preserved.

Number cruncher

■ Lots of civil servants are at present very much involved in the privatisation exercise. Over in the private sector,there is a lot of evidence that employee share ownership helps internal corporate relationships. There is even persuasive evidence of this happening in Ireland, no less.

Gerry Scanlan, chief executive of Allied Irish Bank, reports that some months ago he was a little taken aback to find Michael Nolan, the bank's chief butler, standing at the entrance to his office, wreathed in smiles and full of congratulations. Nolan, who was head waiter at Dublin's Russell Hotel before he joined AIB, is one of the brightest jewels in the bank's crown, and also a keen follower of the Irish stock market, largely thanks to the bank's employee share scheme introduced by Scanlan. "It turned out Michael was the first person in the entire bank to spot that our market capitalisation had passed the £1bn mark," says Scanlan.

Which does prompt the mischievous thought that perhaps civil servants should share in the proceeds of the Government's budget surplus. After all, they are helping to create it by selling off the kitchen sink.

Brookespeak

■ There is also a popular misconception that civil servants enjoy job security. Peter Brooke, Paymaster General and chairman of the Conservative Party, was reflecting the other day on the difficulties which can be encountered during a recession. He recalled that on one occasion the Wall Street Journal had been "sufficiently frivolous" to report that the situation had become so serious that the Mafia had had to lay off two judges in New Jersey.

Czechmate

■ This may be apocryphal or old, but it was heard for the first time the other night. Back in the Prague spring of 1968, Alexander Dubček announced he was creating a new position, Admiral of the Czech Navy. Moscow was not amused, pointing out that Czechoslovakia was landlocked and didn't need a navy. "Look," Dubcek replied, "if the Soviet Union can have a ministry of justice and Bulgaria a ministry of culture, then we can have a navy."

Jurek Martin

David Lascelles on why the US's largest banking group is signalling a greater commitment to Europe

A hard act for Citicorp to get together

"WE HAVE to become more relevant to our customers than we have been in the past," says John Reed, the chairman of Citicorp, of his bank's presence in Europe.

That sounds like quite an admission from the head of the US's largest banking group. But it is not altogether surprising given the stop-go style that has characterised Citicorp's approach to its largest potential market outside the US. In recent years, Citicorp has attacked and then pulled back from several parts of Europe, creating an impression of confusion and indecisiveness.

Only last year, Citicorp abandoned its attempts to break into the mainstream UK company loan market, and the UK gilt-edged and discount markets.

The revolving door at its European headquarters in London's Strand has also witnessed the departure of almost every single senior divisional executive appointed there since the early-1980s. Many of them left in frustration at the confusing signals that were coming out of New York.

The group's failure to make an impact on Europe commensurate with its size is reflected in the results. Last year, Citicorp earned a mere $105m (£63m) in net income from its Europe, Middle East and Africa division, out of total profits of $1.86bn (£1.12bn). This made the division the smallest geographical contributor, below the Asia Pacific region (with $277m) and even Latin America ($562m).

But as he reaches his fifth year in the job, Mr Reed has begun to turn his attention more closely to Europe. Up till now his priorities have been the US market, where he has established his domestic operations on a sounder footing, and the Third World debt problem against which he increased Citicorp's protection with a massive dose of bad debt provisions.

In London last week, he said: "I wouldn't argue that we have had a strange set of strategies here. But Europe is fundamental to our plans. We've got to get our act together."

In fact, Mr Reed argues that Citicorp has done a lot better than the visible evidence suggests. For example, it has established sizeable retail banking operations in several countries with which he (whose career has been mainly in consumer banking) is satisfied. And in some markets, like foreign exchange, Citicorp is a major player.

The weaknesses lie much more in Citicorp's attempts to serve companies and institutions, where the high staff turnover has been particularly disruptive. Its venture into the securities market in London has also been turbulent and costly — though Citicorp is far from unique in that respect.

The shortcomings in the area of corporate finance, and the creation and distribution of securities are more crucial than retail banking because Citicorp aspires to serve the big multinational corporations, and it cannot do so without a strong base in the world's leading industrial nations. Retail banking, by contrast, is not fundamental to the group's global ambitions, though Citicorp is a world leader in electronic banking systems and possesses technology which it can export to new markets.

The clearest sign of Mr Reed's determination to push Europe up Citicorp's list of priorities was his decision last year to transfer a vice-chairman, Mr Paul Collins, to London. The move was not popular with his board which felt Mr Collins' place was in New York. But Mr Reed wanted weight and stability in London, and Mr Collins has agreed to serve there at least five years. "I think it is essential that I make this kind of commitment," said Mr Collins, who was closely involved in planning in New York.

Last month Mr Collins appointed three new lieutenants for the European region: Mr Ernst Brutsche, lately of the Midland Bank, in London to head Citicorp's treasury and foreign exchange operations, Mr Peter Schuring in Frankfurt to head the institutional business, and Mr Victor Menezes in Brussels to run the consumer banking side. Dispatching the last two to the Continent instead of posting them in London is intended to widen Citicorp's presence over the territory of Europe.

The shortage of senior bankers with experience of the European market is one of the things Mr Collins is trying to correct. He is currently interviewing candidates for high positions and hopes to make some appointments shortly. Says Mr Reed, "The key dimension is people."

Citicorp's planners in London believe that the European Community's plans to create a single market by 1992 will have a marked impact on competition and open up opportunities for banks to enter new markets. As a non-EC bank with an established presence in the Community, Citicorp should be able to benefit directly from the removal of national barriers. "We intend to be active throughout Europe in both the individual and institutional market," says Mr Tom Huertas, Mr Collins' chief of staff and strategy adviser.

One of the key questions Messrs Reed and Collins have had to address is the future of Citicorp Scrimgeour Vickers, the group's London-based equity trading and broking operation

John Reed: Europe 'fundamental' to Citicorp's plans

which it acquired at the time of the Big Bang in 1986 but which has been plagued by losses and staff defections.

Last year CSV was in the red to the tune of $70m (£42m), though since then it has launched a big attack on costs, and redirected its efforts towards a narrower and, it hopes, more profitable segment of the market.

Mr Reed describes CSV as essential to Citicorp's corporate finance effort for which it will have to bear "the price and the pain," but he believes it still has a long way to go before it will reap profits for the group.

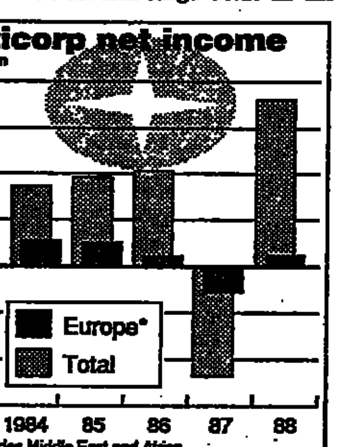
"We have got the costs under control, we have the systems in place, and we have good execution. But we do not have the relevance. We have to have the reason for being there. We don't have an obvious point of advantage in the equity markets."

He does not expect CSV to become profitable for another three years. Mr Collins is a bit more optimistic. "It could break even or move into profit next year," he ventures.

There is less worry about the retail banking side in Europe, where it claims to have financial dealings with 3m households.

As a result of acquisitions, Citicorp has sizeable branch operations in Spain, Belgium, Italy and West Germany, and is building up specialised services such as mortgages and credit cards. But there are conspicuous gaps in France and the UK which Mr Reed wants to fill, possibly with further acquisitions. Opportunities, however, are few, and retail banking is an area where, in the UK at least, Citicorp has made false starts in the past.

Acquisitions rank high in Mr Reed's expansion options. He says he has considered several large deals in the



* Includes Middle East and Africa

last year or two and will continue to look at new ones. Although he doubts that Citicorp will announce a significant purchase this year he predicts "there is a strong likelihood of our being in a multi-billion dollar deal in Europe in the 1990s."

One area where acquisition is possible is insurance, a business which Citicorp has identified for expansion in the group as a whole. Mr Reed regrets not buying Abbey Life, the highly successful UK life insurance company when it was sold off by ITT in 1985, (it has since been bought by Lloyds Bank), but he has established two small insurance companies in the UK and Germany.

Mr Reed stresses that the appointment of Mr Collins was made with a view to having someone on the spot in Europe with the authority to identify major acquisitions and recommend them to the board.

But Mr Reed's strategic options are complicated by the fact that geographic deregulation in his home market in the US provides him with further expansion opportunities as individual states allow in more banks from other states.

Asked how he would weigh a major acquisition opportunity on the US West Coast against one in Europe, he replies with a laugh: "That's a tough trade". But on balance Citicorp might go for the West Coast because the shareholders would prefer it.

Mr Reed's plans for Europe fit into the vision he says he is now putting together of the sort of group Citicorp should be in the year 2000, and which he will bequeath to his successors. "I am prepared to pay the financial cost to get the right institutional structure," he says.

By the end of the century he wants Europe to account for 30 per cent of earnings, up from less than 10 per cent now. This would entail acquiring or building up new business capacity capable of generating an exceedingly large amount of new profits a year.

A tall order, and no surprise perhaps that Mr Collins, who has the job of putting that vision into practice is a little more cautious about what Citicorp can achieve. "I'd say 20 per cent was more realistic," he says of the earnings target. "But we're looking for something that can deliver a billion dollars of profits for the corporation."

This is not the first time that Citicorp has made its definitive effort to get Europe straight, and seasoned Citicorp watchers, of whom there are many, will need convincing that Mr Reed can succeed. But he predicts: "Over the next ten years you will see us growing, consistently and without fanfare."

Press freedom after Helsinki

Where glasnost is not welcome

By Malcolm Rutherford

A month-long meeting on extending freedom of information in Europe ended in London last Friday, more noticed in the east than in the west. It would be churlish to complain that it was little reported in Britain, because in truth it produced very little news. Yet there were some nuances worth recording.

The meeting was a follow-up to the Helsinki Final Act of 1975, which did in its time lower some barriers in Europe. The early 1970s, after all, were a period when it was not anachronistic to talk of the cold war and detente was a relatively new cry. The Act was signed by all European countries, except Albania, plus the US and Canada.

Nearly 15 years on the London Information Forum, as it was called, sought to extend the Helsinki processes by easing the restrictions on journalists wishing to report events in the countries covered by the Act. There have been some notable developments in the interim: the emergence of Mr Mikhail Gorbachev in the Soviet Union, for example, but also the Romania's metamorphosis from being regarded in the west as one of the more open countries in eastern Europe to becoming the most repressive — a transformation that took place under the same leader.

For the first time, journalists as well as diplomats were represented. Soviet *glasnost* dominated the conference from the start. Moscow had by far the strongest delegation. Its spokesmen on the whole refrained from making attacks on the west. Moreover, there now appears to be a close and fairly relaxed working relationship between the Soviet Union, Hungary and Poland, all three countries being in favour of a degree of political liberalisation.

Three other eastern countries almost formed a bloc of their own: the German Democratic Republic, Czechoslovakia and Bulgaria. Some of the Czechs, however, seemed to be veering towards reform. The Bulgarians were pragmatic and must have a pretty good idea of the way the wind is blowing. Only the East Germans stood out as old-fashioned hardliners.

The most remarkable fact about the conference is that, so far as it could be ascertained, at no stage did the eastern countries hold a full caucus meeting to seek to establish a common line.

The journalists from most of the delegations went off and produced draft proposals for the relaxations of restrictions on visas and on journalists' working conditions. These were signed by journalists from east and west from more than half the delegations attending the conference. The man from the Soviet press agency Novosti, for instance, signed along side the Americans and most of the west Europeans.

So far, so good. Yet the journalists had reckoned without Austria. The Austrian delegation arrived determined to put its own stamp on the conference and not to be deflected by specific proposals from journalists. Indeed the Austrians had a set of rather woolly proposals drafted even before the conference began. The Swiss became an Austrian ally.

That, in turn, led the 12 countries of the European Community to seek a common position of their own, a time-consuming process if ever there was one. After a meeting of the 12 comes inevitably a meeting of the 17 — the European Community members minus Ireland, plus the rest of Nato. In the end they, too, made some rather woolly proposals.

In fact, it was perfectly clear almost from the start that the Nato countries did not want to encourage relaxations on visas. They declined repeated invitations to say why. It is quite possible that the Soviet Union did not want too many relaxations either, but it was allowed to shelter behind the official western silence.

The conference concluded without a communique. A few documents, including the journalists' proposals, have gone forward to a meeting in Helsinki in 1992. The journalists enjoyed their work and new contacts. Some of us were left wondering, however, what more Mr Gorbachev has to do to persuade western officials that something has changed.

LETTERS

On show in London

From the Secretary, Royal Academy of Arts.

Sir, There seems to be an implication in Antony Thorncroft's article ("Promotion Abroad," May 8) that somebody's lack of initiative led to the "loss" of the Gauguin exhibition — which might presumably have been seen in London if that person had shown a little more enterprise.

I can assure you that it would have been most surprising if the Gauguin exhibition had come to London, and it could only have been at the expense of one of the places it did go to: Chicago and Washington in the United States, and Paris.

It might have been otherwise if British collections, public and private, had been more successful in acquiring Gauguin's works. No city (not even New York) can capture for itself every exhibition it would wish to, and considering London's relatively lowly standing in the political and financial stakes of contemporary art, it is a wonder that we have as many first-rate shows as any other European capital — and more than most.

The new exhibition space at the National Gallery, in Trafalgar Square, is a most welcome addition to London's artistic resources. If (as I am sure will be the case) its programme is supported by an imaginative policy for the lending of works of art, we can look forward to a most important series of exhibitions there — scholarly, illuminating and of relatively modest size.

The Royal Academy will of course continue to put on first-rate international shows in its Main and Diploma galleries. Over the next two years alone, The Art of Photography will be followed by Frans Hals, Monet and the Bührle Collection; each organised in close co-operation with leading foreign institutions.

Who said that London is not getting its share of major exhibitions?

Piers Rodgers,
Royal Academy of Arts,
Piccadilly, W1

ESOPs put to use

From Mr David Daws and Mr Andrew Johnstone.

Sir, We are encouraged to read so much debate recently about employee share ownership plans (ESOPs) (Letters, April 6, May 10).

The amendments originally proposed to the Companies Bill in the Lords in February were withdrawn on the understanding that the Government would produce its own amendment. The Government has now done so — ever mindful, perhaps, of the possible misuse of an ESOP during a Guinness/Distillers-type hostile takeover situation.

For the company to provide financial assistance to the ESOP trust in the form of a guarantee, in respect of an ESOP's external borrowings, it is proposed that it must now do so "in good faith in the interests of the company."

Use of the ESOP trust as part of a defence mechanism in a hostile takeover is now established in the US. The recent decision in the Polaroid case (*Shamrock Holdings Inc. v. Polaroid Corp.*, Civil Action No 10,075, DelCHCt, March 17 1989) illustrates clearly the struggle an unwelcome suitor will face in attacking the good faith of tying up a good percentage of the target's share capital in an ESOP trust.

In the Polaroid case this involved the aggressor in extensive litigation in an attempt to challenge the validity of Polaroid's ESOP. The ESOP, while admitted to be partly a defence strategy by Polaroid, was upheld in the Delaware courts. American Standard Inc. appears to have gone a step further in fashioning an ESOP buyout of its own shares to fend off a hostile bid from Black and Decker.

We wonder whether, in Nestlé's bid for Rowntree Mackintosh, the outcome would have been the same if the workforce's vocal support for independence of the company could have been translated into something more concrete through the use of an ESOP.

David Daws,
Andrew P. Johnstone,
Richards Butler,
5 Clifton Street, EC2

National debt mismanagement

From Professor Brian Tew.

Sir, As Simon Holberton points out (May 9), the retirement of gilts is now proceeding so fast that the clearing banks are flooded with bankers' cash, which the Bank of England then has to mop up by running down its portfolio of commercial bills and, more recently, stepping up the issuance of Treasury Bills.

In effect the authorities are taking gilts out of the market and replacing them by bills. In so far as gilts held by non-banks are replaced by bills held by banks, the M3 money stock is *pro tanto* inflated. And the reduced availability of gilts bids down the bond rate, thereby aggravating over-heating and weakening sterling.

Brian Tew,
Loughborough University,
Leicestershire

Pre-emption rights

From Mr D.H. Brydon.

Sir, Your correspondent writing about pre-emption rights (May 11) fails to consider the facts relating to institutional attitudes to this subject.

The guidelines of the Pre-emption Group, which under the aegis of the Stock Exchange brings together pension funds, insurance companies, corporate treasurers and exchange members, already accepts the principle of "little and often" proposed by Sir Anthony Touche. No general opposition is proferred against issues amounting to 5 per cent of capital in any one year or 7.5 per cent in a rolling three year period.

D.H. Brydon,
Investment Committee,
National Association of Pension Funds,
12-18 Grosvenor Gardens, SW1

Multi-disciplinary practices

From Mr F.E. Worsley

Sir, Robert Rice (May 8) mentions possible problems which may affect barristers and solicitors who join multi-disciplinary practices (MDPs) in the UK. In particular, they may not meet restrictions imposed in some other EC member states.

At one level, this is purely a commercial problem. If a lawyer in the UK joins an MDP, he or she may be sacrificing the opportunity to do work elsewhere in the EC. But it must be for him to make a commercial decision whether to join.

There is no public interest in prohibiting lawyers in the UK from joining MDPs, even though, by doing so, they may lose an opportunity to perform work outside the UK. The UK public interest is that UK clients should be able to choose between legal services provided by MDPs and by single-discipline firms.

If the Government decides — as we believe it should — to allow MDPs including lawyers in the UK, then it should also ensure that the restrictions on practice in the rest of the EC do not inhibit the opportunities for UK lawyers, whatever form of practice they choose to adopt in response to clients' needs.

F.E. Worsley,
President, The Institute of Chartered Accountants,
Moorgate Place, EC2

Business is no holiday

From Mr S.R. Dunmore.

Sir, I read your report of Holiday Which's survey of travel agents (May 5) with incredulity. To condemn all UK travel agents as "incompetent, lazy and biased" is the sort of wild generalisation one associates with the Consumers' Association (CA). 95 per cent of holiday makers were happy with the service they received — reflecting a level of product acceptance many other industries would envy...

The survey reports that travel agents are low on product knowledge; it quotes the example of the wrong lowest fare given for flights to three cities. The problem is that the average high street travel agent exists as a holiday shop. Anyone planning business travel, contemplating using one of these agents, deserves all he gets.

In today's "niche marketing" environment, selling business travel, often at short notice, is a highly specialised skill best left to those who fully understand it. It is a pity the survey did not include business travel; without this, it is flawed.

And the point CA seeks to make about incentives is risible. Has it never been pointed out to the CA that this is 1989, and life is all about incentives and rewards?

Stephen Dunmore,
Projects UK,
56 Broadwick Street, W1

FINANCIAL TIMES
Monday May 15 1989

Janet Bush on Wall Street

Big Board swings to disfavour

Two subjects – linked in the view of many – have burst onto Wall Street's collective consciousness in recent weeks.

The first is the attraction of the over-the-counter market, which boasts some tremendous relative values and has begun seeing significant takeover activity. The second is revived distaste about the distorting effects on the Big Board of programmed trading related to stock index arbitrage.

Everyone knows that index arbitrage has never gone away, but events a week ago last Friday got everybody excited.

The April employment figures were weak enough to boost the Dow Jones Industrial Average by 24 points, but that gain was erased by a wave of stock index arbitrage selling.

The Dow ended 2.94 points lower, a fine way to celebrate good news. By contrast, the Nasdaq Composite Index rose 1.51 points.

Everyone in the Nasdaq market is cheering a jump in institutional investment as well as a trickle of interest from individual investors. Part of the improvement is because there are values to be had.

Mr Joseph Hardiman, president of the National Association of Securities Dealers which oversees the Nasdaq market of over-the-counter stocks, notes that small and medium capitalised issues are within 15 per cent of their 25-year lows.

But many dealers also say that fund managers are fed up with the meaningless fluctuations on the Big Board, which they ascribe exclusively to index arbitrage effects.

Mr Marty Zweig, one of the best-known market callers, said volatility has certainly increased in the last two months because of the programmes. Many major users have resumed index arbitrage for their own account, now the political heat is off.

There may not be an exact or consistent inverse relationship, but as programmed trading has seemed once again to increase the volatility of the NYSE (exaggerated by a slump in non-programmed volume), so activity in over-the-counter stocks has risen.

NASD figures show that average daily volume in the first quarter was 131.2m shares compared with the average in 1988 as a whole of 122.8m. NASDAQ volume rose to 79.5 per cent of NYSE volume in the first quarter compared with 76.2 per cent in the first three months of last year.

Mr Peter DaPuzzo, in charge of the considerable OTC business of Shearson Lehman Hutton, said: "There is purity to this volume. By this I mean that the trades done represent genuine commission for OTC dealers, not just arbitrage tied to programme trading."

Mr DaPuzzo reckons that his company saw a 10 per cent improvement in institutional business last month compared with April 1988.

A similar story emerges from Donaldson, Lufkin & Jenrette, where Mr Robert Antolini estimates his company's institutional business is up around 30 per cent since the end of last year, suggesting that institutions are increasing the proportion of their investments devoted to the OTC market.

Old worries about liquidity remain, but they do not seem such a deterrent these days. Mr DaPuzzo said liquidity is close to its best since the crash. Shearson recently crossed a block of Wheelabrator Technologies shares worth around $20m, a big deal by OTC standards.

OTC traders cite a number of favourable factors for the market. One is that secondary stocks tend to do well in a slowing economy, another that price earnings ratios are generally low. A third is that, after a severe dearth, some new issues are coming to market which have ignited some interest.

Although the Nasdaq market tends broadly to track the Big Board, that relationship has loosened recently. Some of the above attractions might have been part of the reason, but disenchantment with big capitalisation issues also played a role.

Mr Hardiman says that small- and medium-capitalisation issues always outperformed big capitalisation shares over any 10-year period since 1926. That trend was overturned between 1983-1988 and it is time, he says, for a return to the historical norm.

Judging by Friday's performance by the Dow, that time may not yet have come. At Thursday's close, the Nasdaq Composite had risen 12.9 per cent from the start of this year, the Dow by 11.1 per cent. By Friday's close, the Nasdaq Composite was up 13.9 per cent and the Dow by 13.8 per cent.

Bush offers exile deal to Noriega

By Lionel Barber in Washington

PRESIDENT George Bush has offered General Manuel Antonio Noriega, Panama's military leader, a deal for relinquishing power in an effort to reach "an honourable solution" to the country's political crisis.

Under the deal, the US would allow Gen Noriega, who is under indictment in America for drug trafficking, to go into exile. It would also agree tacitly not to seek to bring him to justice, provided the asylum country does not have an extradition treaty with the US.

Several states, including reportedly Spain and Venezuela, are willing to accept Gen Noriega, who has not been seen in public for nearly two weeks, but to date he has rejected overtures.

Over the weekend, this prompted Mr Bush to step up pressure by calling on the Panamanian Defence Forces to overthrow their commander-in-chief.

The President's appeal to the PDF to break with their commander was coupled with a pledge that the armed forces would have a role to play in a future democratic Panamanian society.

This week, the US will renew its diplomatic efforts at a meeting of the foreign ministers of the Organisation of American States (OAS) in Washington on Wednesday. The OAS is likely to debate a call by President Carlos Andres Peres of Venezuela for General Noriega to step down from power.

The meeting has been timed to coincide with a general strike in Panama called to protest at last week's decision by Gen Noriega to annul the presidential election which the US says the opposition alliance won by a three-to-one margin.

President Peres, who is spearheading efforts in the region to isolate Panama, is also expected to propose that Panama be expelled from the Group of Eight Latin American states. Panama has been suspended from the group since February last year after Gen Noriega ousted President Eric Arturo Delvalle in a military coup.

The US Administration is keen to avoid accusations that it is acting unilaterally, or that it intends to abrogate the 1977 Panama Canal Treaties under which the US is to hand over control of the strategic waterway by the turn of the century.

US officials are also stressing that the dispatch of a brigade of 2,000 combat troops to Panama last week is only aimed at protecting American lives and interests in the country.

The OAS meeting has a historic quality about it because it was President Peres who, 10 years ago, called for an OAS meeting to discuss the Somoza dictatorship in Nicaragua. The meeting was the first to call for an "immediate and definitive replacement" of an incumbent government and to call for the installation of a democratic government.

The Bush Administration is hoping that the OAS will take a similarly tough line with Panama as part of a regional diplomatic effort against the Noriega regime.

If the Venezuela resolution fails, however, it will mark a significant setback for the US and could raise pressure on the Administration to take unilateral action.

Stars rally to the name of the Rose

By David Thomas in London

"IT'S like the Greeks knocking down the Parthenon to make a car park," Sir Peter Hall, former director of Britain's National Theatre, told a rally in south London yesterday aimed at preventing the newly discovered ruins of an Elizabethan theatre from being buried by an office building.

The demonstrators were preparing to maintain an all night vigil at the Thameside site of the Rose Theatre, where Shakespeare is thought to have acted, to prevent the developers moving in at dawn today.

Some of the nation's leading stage stars were at the Southwark site to implore Imry Merchant, developers of the planned 10 storey office block, to change their plans and allow continuing access to the remains. Lord Olivier also sent a message of support.

The architects and Imry Merchant were either not available or unprepared to comment at the weekend.

The developers were planning to cover the site, where many of Shakespeare's plays were first performed, with a mixture of fine sand and mesh.

This method was chosen to minimise damage to the remains so that the site could eventually be re-opened after the lifetime of the office block.

However, a steady stream of people, including many theatre celebrities, visited the remains yesterday to oppose the plans and prepare for an all night vigil.

Distinguished actors read sonnets, schoolchildren acted snatches of Shakespeare's plays and choristers sang Elizabethan tunes in one of the most civilised demonstrations seen in London in years.

Mr Simon Hughes, the local Member of Parliament, said demonstrators would maintain a cordon round the site "indefinitely" until the developers agreed to modify their design.

He added that it showed Britain to be a country in which "cash is more important than the soul of the country itself."

As archaeologists hurried to remove some of the theatre's timber work before dusk, Mr Harvey Sheldon, from the Museum of London which has been overseeing the excavation, said: "It is a site of international importance. It should be scheduled as an ancient monument and open to the public."

Archaeologists on the site of the Rose Theatre yesterday

Archaeologists are concerned that under the developers' plans the site will be damaged by the weight of the infilling and by the piles which will be driven through the theatre's stage.

Dame Judi Dench, one of Britain's leading actresses, appeared to express the view of most of the demonstrators when she said that the office block should go up, but with a modified design to allow continuing access to the theatre's remains.

The Government also seemed to shift its ground yesterday afternoon when Mrs Virginia Bottomley, Environment Minister, issued the simple statement: "We would like to see the remains of the theatre open to the public once the building has been completed." On Friday, she had endorsed the developers' plans to fill in the site.

Ms Ann Matthews, leader of the Southwark council, told the rally that R. Seifert & Partners, architects to the development, had already discussed with Southwark's planners an alternative design which would allow a permanent exhibition of the site.

Rift widens within UK Conservatives over Thatcher approach to Europe

By Philip Stephens, Political Editor, in London

DIVISIONS in Britain's governing Conservative Party over its response to pressure for closer European integration threaten to widen sharply after two attacks on the "minimalist" approach adopted by Mrs Margaret Thatcher, the Prime Minister.

In a book published this morning Mr Michael Heseltine, the former defence minister and a leading contender for the future Conservative leadership, warns that unless Britain adopts a more positive approach it risks being left isolated and behind in a "two-speed" European Community.

His stance, which will be seen as an alternative manifesto to that set out by the Prime Minister in her Bruges speech last autumn, was preceded yesterday by a stinging personal attack on her by Mr Edward Heath, the former Conservative prime minister who remains an MP.

Mr Heath, who as premier between 1970 and 1974 negotiated Britain's entry into the European Community, accused Mrs Thatcher of misleading the public and of talking "absolute rubbish" about the future of Europe.

Setback for SDP

Britain's Social Democratic Party said it could no longer maintain national status. While officials said the party would continute "fighting its corner," there were suggestions that the move signalled its virtual collapse. Page 8

In a television interview which clearly reflected his bitterness over the issue, he said that unless Mrs Thatcher changed course "we shall be left as a second-rate power in a two-tier community."

The two judgments come against the background of a split in the cabinet over how it should respond to last month's report by the Delors committee advocating full British membership of the European Monetary System as the first step towards economic and monetary union.

The Treasury and the Foreign Office have argued that Britain should agree to sterling's participation in the EMS to try to defuse pressures for the more radical proposals, but Mrs Thatcher has shown no sign of dropping her opposition. The split will also heighten unease in the party before the elections for the European Parliament, and before the Madrid summit next month.

At Madrid, Mrs Thatcher faces the prospect of a co-ordinated attack by Britain's partners on her refusal to agree "a social dimension" to the programme to create a single internal market by 1992. The Foreign Office fears that her fierce rejection of the Delors report may also leave her virtually isolated.

At the same time, divisions within the Conservative party may increase the prospect that the recent resurgence of the opposition Labour Party will lead to big losses for the Government in the European elections.

Mrs Thatcher's position, however, was defended by Mr Norman Fowler, the Employment Secretary.

Shamir wins support for Arab poll

Continued from Page 1

The 20-point plan reiterates Israel's refusal to accept an independent Palestinian state in the West Bank and Gaza, and its refusal to negotiate with the PLO. As well as elections, it proposes simultaneous progress on extending the decade-old Camp David agreement with Egypt, calls for hostile Arab countries to make peace with Israel and calls for international funding for improved conditions in Palestinian refugee camps in the territories.

Elections would be held after initial talks with West Bank and Gaza residents – to which Jordan and Egypt would be invited – on the principles under which the peace process would proceed. They would only take place after a "calming of the violence" that is wracking the occupied lands.

The elected representatives would negotiate "a transitional period of self rule" to last five years. As outlined in the Camp David agreement, negotiations on a final settlement would begin after not more than three years of this five-year term.

Several key issues which the US wants included are not mentioned – namely, international supervision of the elections and the inclusion of Arabs living in East Jerusalem.

European forum to improve data security

Continued from Page 1

loss and a threat to their viability.

The study examined 20 European companies with extensive network systems and found their standards of security were inadequate. Only one of the 20 companies met all the criteria C&L thought necessary. It concluded the situation was a real threat to economic development: "The catastrophic effects of poor security are likely to discourage organisations from becoming any more dependent on their network systems. Unless the general level of network security improves, it could become a barrier to the exploitation of network systems and ultimately as a brake to economic development".

The kind of systems which could be affected by a such a retrenchment include the electronic transmission of orders and invoices and management of customs documentation.

Among the typical incidents which were uncovered by the study:

- An operator cancelled an error message leading to a chain of events which caused the whole network to collapse. It took a week to clean the system of electronic debris.
- An unauthorised user made changes to the main data table in a large accountancy system. It cost the company four man-months of effort - about equal to writing a new software system - to restore the data
- An air conditioner failed, causing the central processor to overheat. Remote alarms at employees' homes which should have given the alarm failed because they had not been serviced.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	21	70	Malta	S	25	77	Rhodes	S	26	79
Algiers	F	23	73	Edinburgh	C	14	57	Manchester	C	14	57	Rio de J'o	C	28	81
Amsterdam	S	16	61	Faro	S	20	68	Manila	F	36	97	Rome	S	19	66
Athens	S	29	84	Florence	S	23	73	Melbourne	F	16	61	Salzburg	R	09	48
Bahrain	S	31	88	Frankfurt	F	14	57	Mexico City	F	27	81	San Francisco	C	19	67
Bangkok	F	33	91	Funchal	-	—	—	Miami	F	26	79	Seoul	R	20	68
Barcelona	S	19	66	Geneva	F	14	57	Milan	S	23	73	Singapore	F	32	90
Beirut	F	24	75	Gibraltar	S	23	73	Montreal	C	23	73	Stockholm	C	14	57
Belfast	C	13	55	Glasgow	C	12	54	Moscow	F	23	73	Strasbourg	F	16	61
Belgrade	S	20	68	Guernsey	F	14	57	Munich	R	09	48	Sydney	F	20	68
Berlin	F	17	63	Helsinki	S	14	57	Nairobi	C	24	75	Taipei	R	22	72
Biarritz	C	16	61	H. Kong	R	22	72	Naples	S	24	75	Tangier	S	21	70
Bombay	F	31	88	Innsbruck	C	10	50	Nassau	C	31	87	Tel Aviv	S	30	86
Bordeaux	C	18	64	Inverness	F	13	55	New Delhi	S	39	102	Tenerife	C	21	70
Brussels	F	16	61	Islamabad	-	—	—	New York	F	14	57	Tokyo	S	24	75
Budapest	F	18	64	Istanbul	S	26	79	Nice	S	21	70	Toronto	C	15	59
B. Aires	F	26	78	Jakarta	C	30	86	Nicosia	S	27	81	Tunis	S	24	75
Cairo	S	33	91	Jersey	F	15	59	Oporto	S	18	64	Valencia	S	20	68
Cape Town	S	17	63	Jo'burg	S	18	64	Oslo	F	15	59	Venice	C	19	66
Caracas	C	27	81	Lima	F	21	70	Paris	F	16	61	Vienna	C	17	63
Casablanca	—	--	--	Lisbon	S	22	72	Peking	S	24	75	Warsaw	F	18	65
Chicago	C	15	59	London	C	17	63	Prague	C	15	59	Washington	R	13	55
Cologne	C	15	59	Los Angeles	C	14	57	Reykjavik	S	12	36	Zurich	R	09	48
Copenhagen	F	13	55	Luxembourg	C	11	52								
Corfu	S	25	77	Madrid	S	21	70								
Dallas	C	16	61	Majorca	F	22	72								
Dublin	C	14	57	Malaga	S	21	70								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Hungary suspends dam

Continued from Page 1

dence of the growing number of other independent environmental and ecological groups in Eastern Europe.

At the same time, it is a vindication of Mr Imre Nagy, the former Prime Minister who was executed in 1956 and other communists who had vetoed the plans, first mooted in 1953. They were over-ruled by Moscow and Prague during a period when Eastern Europe was embarking on a massive industrialisation programme.

A treaty was finally signed between Prague and Budapest in 1977 and construction started in the early 1980s. Since then, the joint project has been dogged with financial and material problems.

Ironically, work on the Hungarian side was speeded up in 1985 when the Austrian government, following pressure from its own Greens, was forced to scrap a dam at Hainburg.

It is understood that the Gabcikovo dam will be able to produce electricity without its Nagymaros twin, but at lower levels.

THE LEX COLUMN

Thirsting for a weaker brew

To hear the brewers tell it, the Monopolies Commission report on brewing would do more to harm the quality of British life than every environmental pollutant known to man. Thousands of quaint country pubs would be forced to close; jobs and brands alike would be lost; and those that remained could suffer the indignity of foreign control.

All that may sound like no more than the brewers' vested interests talking. Surely no one expected them to applaud a plan which would involve a huge fire sale of assets. But the unity of opposition from large and small brewers alike was perhaps surprising: the report's provisions on "guest" beers were supposed to help the smaller brewers. Instead, they argue the system would simply allow national lagers to dominate the entire lager market.

Many of the industry's objections are doubtless legitimate. If brewing is indeed inefficient, then it is scarcely surprising that more competition would lead to job losses. And if the same inefficiency has led to a proliferation of brands – quite a few of which would indeed disappear – then that is probably no more than many deserve. As for the country pub, it is not exactly a thriving breed in any case though the MMC's recommendations would accelerate its demise.

But debating all this is beginning to look academic, at least as far as share prices are concerned. For the Tories have not made quality of life their rallying cry just to see it destroyed by the regulators. Though Lord Young initially said he was minded to accept the report's recommendations, he has apparently now arrived at a different state of mind. With his colleagues in the party busy arguing a direct correlation between pubs and votes, he has every incentive to find a way around the report's more damaging conclusions when he meets the brewers later today.

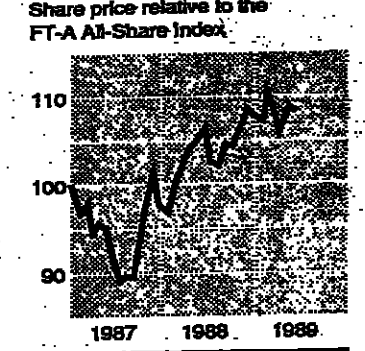
The political pressures on Lord Young are such that it is hard to believe he will be able to resist amending the report's recommendations. He might tinker with the tenancy arrangements to ease the pressure on smaller brewers; he could decide to force guest ales on the brewers, but protect them from guest lagers; more dramatically, he could raise the 2,000 pub ceiling suggested by the MMC or otherwise change the regulations for divestment of pubs.

In short, his range of options is so wide that the market will be hard put to reach sound investment conclusions until it has a better idea of his intentions. Something radical is likely to happen, for Lord Young does not seem to agree with the brewers that their current practices serve the consumer best. But how those practices will be altered in future – either by London or Brussels – remains unclear.

For the Basses and Whitbreads of the sector, which are the most exposed to decisions on the tie, such confusion cannot be good. Guinness and GrandMet should not suffer: the former has no pubs, and the latter makes only 4 per cent of profits from either pubs or brewing. But for the sector as a whole, it is difficult to see how uncertainty can be the stuff of outperformance; and at least for the next year, confusion is likely to be the industry's fate.

Brewers and Distillers

Share price relative to the FT-A All-Share Index



Proposition 103

FROM five thousand miles, London may sniff at California's Proposition 103, as another nonsense from the land of the jacuzzi. 103 is an embarrassment for BAT, after its $5bn purchase of Farmers Group, and a worry for the composite insurance companies if anti-insurer legislation spreads east of Las Vegas; otherwise, the 20 per cent roll-back in insurance rates and strict price regulation in future are just a little local difficulty.

Such is the conventional wisdom, and thoroughly dubious it is. Restated more subtly, it says that once the populist furore is over, 103 will prove as reactionary a measure as they come. No premium rate should be "excessive, inadequate, or unfairly discriminatory", 103 says: will it end up recreating in California a lost world of stable prices and profits, policed by docile regulators?

That world existed in the property/casualty insurance industry until the late 1960s: now, by stipulating that insurers have a right to a fair return, the California Supreme Court could transform insurance into a quasi-public utility with profits guaranteed in perpetuity. BAT can hardly wait.

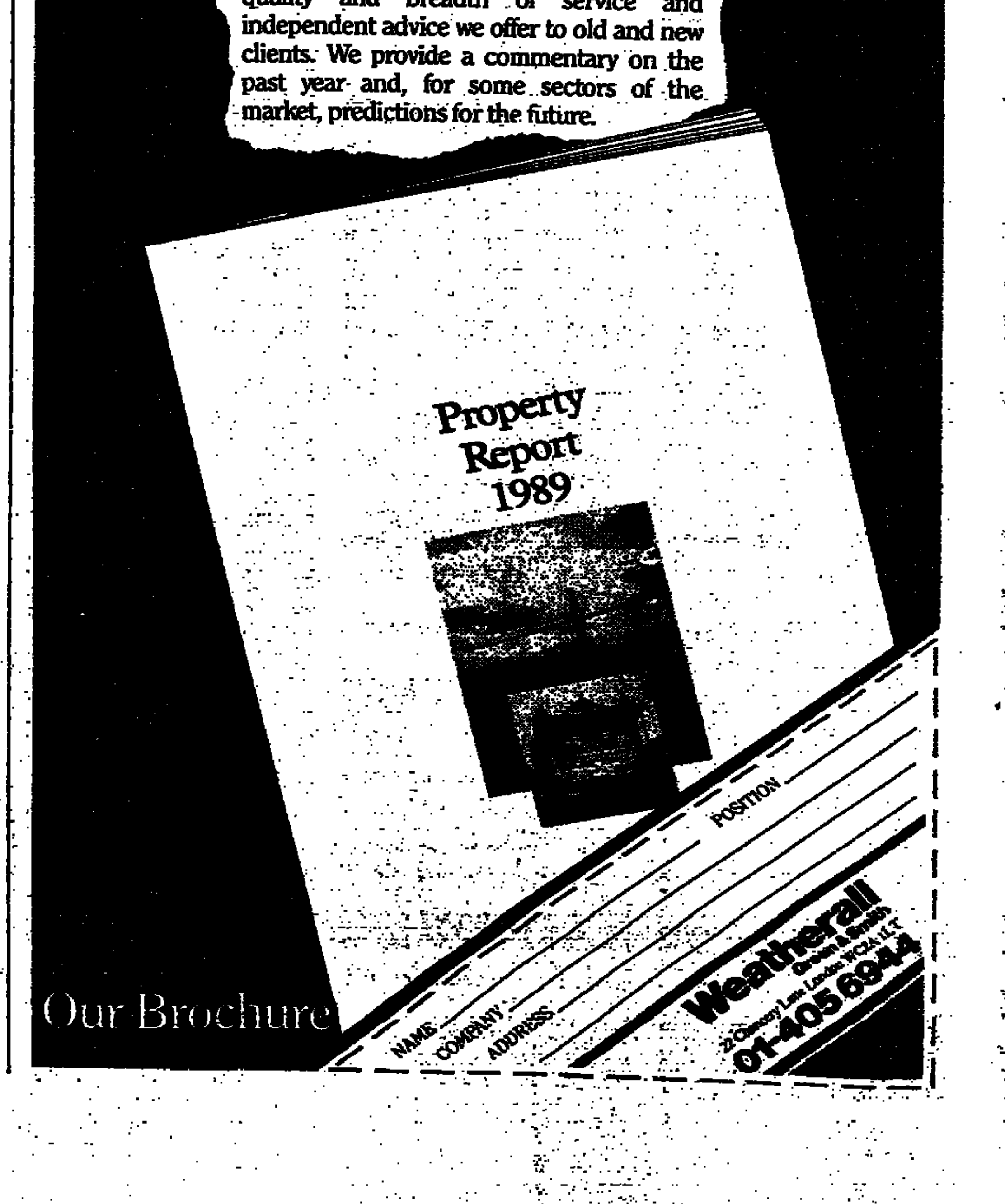
There are some grounds for painting this view of life after 103, but only some. For 103 represents a crisis of public confidence in the insurance industry of extraordinary proportions. Now its proponent Ralph Nader has the political genie out of the bottle in California and meddling with the rate-setting process, getting it back inside looks unlikely. After all, 103's most solid electoral support came from college-educated, 40- to 55-year-old homeowners. Disaffection with insurers is now so embedded in public opinion that the chances of the industry steering the price regulatory process to its advantage seem slim.

The pressures which forced auto insurance rates to unconscionably high levels in California are still there; across the US, since 1985 inflation in medical care bills and ever-deeper involvement by litigious attorneys in claims have driven auto liability claims costs up each year by an average 13 per cent. Yet if insurers force rates still higher in California, the political advantage will swing back even more decisively to Nader.

The fear that 103 will diffuse anti-insurer sentiment throughout North America is probably over-done, if only because the industry is already so widely distrusted. In California, huge auto premiums may be the problem, while in Texas it is sky-high prices for workers' compensation policies – periodic crises of unaffordable insurance have become endemic.

Part of the blame must lie with the insurance industry itself. Selling undifferentiated products, mostly via absurdly costly marketing systems, insurers are prone to the extreme cyclicality typical of a commodity-based industry: and it is the harsh up and downswings in the cycle which cause the drastic price hikes that antagonise consumers.

It is too early to write off BAT's Farmers acquisition; before now, big US insurers with economies of scale and strong business franchises, such as State Farm or American International Group have turned such traumas as 103 to their advantage, because they squeeze out smaller rivals. But other foreign insurance companies should think more than twice about buying American.



FINANCIAL TIMES
COMPANIES & MARKETS
Monday May 15 1989

INSIDE

Japanese research goes global

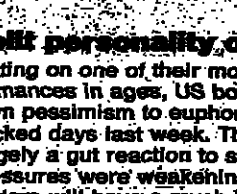
Canon

Canon, the Japanese camera and office equipment group, is about to open officially its first research centre in Europe. The move is designed in part to demonstrate good "corporate citizenship" and partly to give the company access to European research. Other Japanese companies are following the trend. Christopher Lorenz examines the implications in the Business Column. **Page 42**

Split personality of US bonds

Putting on one of their most schizophrenic performances in ages, US bond markets swung from pessimism to euphoria in a few action-packed days last week. The turnaround was largely a gut reaction to signs that inflationary pressures were weakening. But investors and traders will have a much harder time deciphering things this week. The key question will be whether the Federal Reserve's open market committee votes to ease monetary policy at its meeting tomorrow. **Page 30**

Stability and strong passions



A buzz of far from satisfied comment from syndicate managers has ushered in a new set of recommendations for operations in the Eurobond primary market. The package includes significant changes in stabilisation — supporting the price of newly issued bonds — but anger has been stirred up over the fine print covering the allotment of bonds. **Page 28**

Private thoughts on Banco Totta

The semi-privatisation of Portugal's state enterprises will take another step forward next month when 49 per cent of Banco Totta e Acores, the country's fourth largest nationalised commercial bank, will be sold in an operation aimed to raise Es20bn ($126m). Diana Smith reports. **Page 29**

Market Statistics

Companies in this section

Air hangs heavy with the smell of revolution

Christopher Parkes looks at the reasons behind a worldwide shake-up in the cosmetics industry

Liz Taylor and Passion

GREAT AND disparate forces are again at work in the cosmetics and toiletries business.

Recession and death prompted the first shake-out in the early 1970s. Now rising affluence, high technology, demographic change and the leaders of the multinational business community are having their effect.

The latest manifestation appeared last week with a $2.1bn bid for Avon Products, the US group famous for its door-to-door sales style, from Amway Corporation, a private consumer products distributor.

The industry's poor innovation record started to catch up with it almost 20 years ago when personal spending came under pressure. Established companies, with nothing new to tempt the consumer apart from their standard lines in camouflage and scent, saw growth grind to a halt.

The deaths in the mid-seventies of Charles Revson of Revlon, Helena Rubinstein and their like who virtually founded today's industry helped to compound the confusion which led to an extraordinary wave of sales and mergers. Drug makers, grocers, chemicals companies, individual opportunists and others all took a hand.

Max Factor, for example, passed through Norton Simon, Esmark, Beatrice Foods and eventually came to rest at Revlon. Revlon itself succumbed in 1985 to a bid by Pantry Pride, a takeover vehicle driven by Mr Ronald Perelman.

Elizabeth Arden, another famous name, passed through various hands, including drugs group Eli Lilly, before it settled in the hands of Mr Meshulam Riklis, a renowned Wall Street deal maker.

The global game of pass the parcel is still continuing: Together with Fabergé, Elizabeth Arden last month slipped from the grasp of Unilever when Mr Riklis attempted to squeeze $200m or so more than the $1.55bn price initially agreed with the Anglo-Dutch multinational.

Meanwhile, Beecham Group, preparing its merger with SmithKline Beckman, the Philadelphia pharmaceuticals company, is widely expected to sell off its personal products business which encompasses the Lancaster, Yardley and Lenthéric brands. Courtship rituals are well advanced, and tempting dowries are being counted out.

There are few available businesses with Beecham's scale — it ranks in the middle of the world's top 20 — and geographical reach. The expected price of more than $1bn, and recent shifts in the industry which have tended to concentrate market power in the hands of a clutch of multinational specialists suggest that it will be one of these companies which will eventually take control.

The pressure is mounting behind France's L'Oréal, the present world market leader, which last year bought Helena Rubinstein. Established Japanese specialists Shiseido and Kao, Revlon, Unilever and Procter & Gamble of the US are making forceful advances in the market. P&G gave its toiletries critical international mass in 1985 with the purchase of Richardson-Vicks, which gave it the skincare business variously know as Oil of Ulay, Olay or Olaz. Unilever's move on Chesebrough-Pond's a year later gave it Vaseline and Pond's, and launched it into the premium perfume business.

At stake is a $40bn world market, 40 per cent concentrated in the US and 30 per cent in the European Community's leading members: West Germany, France, Italy and Britain. Of especial interest is the high-quality end of the trade, which is estimated to be worth about $9bn and growing at 10 per cent a year, compared with 5 per cent in the mass market. Premium products also offer much fatter margins than everyday potions.

In the 1970s, the market leaders found their positions impossible to defend because so many of their colour cosmetic products were so easy to imitate, and entry costs were low. Now, however, pancake makeup and colour are less important. The west's ageing female population is more interested in conservation than concealment, and the market leaders are drawing heavily on their vast technical resources to provide skin care of the highest order.

The Japanese, finding their home market saturated and increasingly invaded by Western manufacturers with products able to command price premiums because of their foreign status, have turned westward.

Their skin care technology is easily the equal of anything in the west, but their unfamiliar names have made necessary costly market-building promotions.

Partly to offset this disadvantage, they have also entered the takeover market. Kao, for example, last year bought the American toiletries concern Jergens. Shiseido, which already had a Japanese joint venture with the prestige French house, Hermès, took over the Zotos hair care business in the US.

The increasing power of the leading multinationals indicates that smaller regional or national manufacturers are going to find life increasingly difficult at every level.

According to a recent review of the European market by Frost & Sullivan, the US-based research group, a radical change in the distribution of cosmetics and toiletries is under way. Competition is leading to the sale of more prestige products in supermarkets and drugstores — to the advantage of companies like Unilever and Procter & Gamble which have formidable links with the world's retail trade.

But, as in the food business, enduring national, regional and local tastes will always ensure success for smaller companies that are nimble and perceptive.

No multinational is likely to be diverted from its task of world domination in the toothpaste market by trying to compete with a product like Guard Halo Grainy Salt, popular in Japan. Equally, Beiersdorf is clearly offering no international threat with its new men's fragrance, Gammon, which is enjoying some success in Germany.

Why the US is a magnet for capital

By Anthony Harris in Washington

LAST FRIDAY was as exciting as a burst of action in an American football game — an unexpected move, a melée, a fumble, and a touchdown. Too exciting, certainly, for cool analysis; so it's worth rewinding the tape and watching it again more calmly.

The unexpected move was in the PPI figures. The unexpectedly modest rise led initially to a rally in bonds and a fall in the dollar; the central banks acted together, and drove it down further. But by the end of the day, the equity market was leading the action, and the dollar tide left the central banks with very wet feet. It does not need Sherlock Holmes to deduce that it was foreign buying of long-term instruments — bonds and equities — which generated this pattern.

Until recently the big flows were very short-term, so that market-watchers had perhaps forgotten a simple rule: rising interest rates make spot currencies more attractive, even when they are a response to rising inflation; but they are poison for long-term securities, and especially bonds.

So exchange rates rise when interest rates rise if spot transactions are dominant — a symptom of the same excessive liquidity which values a second-rate early Picasso at over $47m. This is an almost mechanical reaction to the corresponding drop in the forward rate. But when the long-term asset demand is generating the big flows, then the reaction goes the other way, provided that long-term investors are not hedging their exchange rate exposure. Hedging — selling forward the dollars bought for asset purchases — would sterilise this effect.

On Friday, then, there were two kinds of intervention is the spot market. The central banks were in on a large scale, but their intervention is normally sterilised — the funds supplied are soon mopped up through open-market operations. But the long-term investors were also in, and their intervention was not sterilised; so it naturally overwhelmed the authorities. What is harder to explain is the reason for this sudden flow, and its likely staying power. Back to the replay.

The market had factored in a steep rise in energy prices, and expected another bad month for the PPI. In fact, as you know, the PPI ex-energy prices had hardly moved. Celebration. In a longer perspective, this news will surely look less exciting than it did on Friday, because the factors holding prices down were one-offs, like those that drove them up.

Decent growing weather led to a tremendous drop — more than 8 per cent — in the price of fresh, which brought the whole food index down; and the car trade was holding a clearance sale. Food prices, it is true, are unlikely to rise as they did last year; but they are not likely to fall steeply either.

Weak consumer demand may continue to hold prices down at the expense of profits, but this hardly justifies a surge in equity prices.

Meanwhile, everyone was too excited to notice that the underlying pressures for inflation still seem to be pressing. The Business Council, which assembles the corporate aristocracy every spring in the Shenondoah valley, produced what amounted to a stagflation forecast — slowing growth with persistent 5 per cent inflation — and complained about labour costs.

Labour costs are a central worry for the Fed; so the market, which is already marking down mortgage rates in anticipation of policy easing, may be disappointed after tomorrow's meeting of the Federal Open Market Committee. The present policy has produced a rapid rise in savings, and is now getting employers worried about costs, which is just what the Fed wanted: so why change it?

A monetarist Fed would ease policies, because the money supply is falling, and there is a world dollar shortage; but this Fed is not monetarist, as its critics constantly complain — most recently in a letter from 32 monetarist Congressmen. The Fed is trying to manage the real economy. In an ideal world, this is not the job of a central bank; but in the US of today, there is no one else to do the job.

These thoughts could take the fizz out of the equity markets; but they are unlikely to undermine them, because they will not discourage the foreign investors. These over-liquid funds, mainly but not exclusively in Tokyo, are not given to speculating on interest rates; all they need is a reasonable confidence that rates are no longer rising, and so undermining bond and equity values. The PPI figures, on top of all the evidence of soft consumer demand, were good enough to justify that confidence. Indeed, what really needs explaining is not why overseas investors now want US assets, but why they were not buying them some time ago: for the fundamental arguments for US paper assets are exactly the same as those for direct investment in the US, which has for some time been so strong that it became a protectionist election issue. If it makes sense to build a factory, it must make sense to buy shares in one.

The US consumer market no longer looks quite such a draw as it did, but all the other attractions are stronger than ever: American political stability now looks enviable from Tokyo or Frankfurt, and the market looks very conservatively valued as others boom. But the strongest attraction is seldom mentioned, and hotly denied by some commentators: the dollar is now undervalued.

This fact is invisible to those who apparently believe that the current account is the test of exchange rates — a belief which flies in the face of long-term experience, which shows that it is the countries with strong and rising currencies which tend to generate large surpluses. The devaluationists of Harvard and Dupont Circle never seem to confront this fact. The puzzle is that the same people argue the valid point that a weak current account reflects weak national saving, and with equal passion; yet this line makes exchange rates largely irrelevant.

However, anyone who visits the US and goes shopping, and still more those who employ US labour, know that the dollar is a bargain.

According to the latest Federal Reserve Bulletin, the labour cost of a unit of output in the US was nearly 30 per cent below the industrial country average by the end of 1988. That gap is so huge that it swamps any doubts about the statistics (a unit of output is very hard to define), and the fact that the dollar has risen about 10 per cent since then.

It also provides a different perspective on US wage increases, which are high by recent US standards, but low on most others. Incidentally, the low-wage economies on the Pacific rim are now inflating even more strongly. On these tests the dollar looks a good bet, even unhedged; and what happened on Friday was a convulsive bit of market timing.

Economics Notebook

Germany as a world financier

WEST GERMANY has recorded current account surpluses for all but six years since its birth in 1949. But only with the surge in international payments imbalances in the last few years has the country become a net foreign creditor of real substance.

Now that the German current account surplus seems to be stabilising at the high level of more than 4 per cent of gross national product, very large German capital market exports have become a permanent feature of the world financial scene.

Japan's ascendancy as the world's most important creditor nation — and its role in helping fund the US budget deficit — has been much discussed internationally. However, little attention has focused on the creditor position of the Federal Republic.

Along with the parallel build-up in the foreign debt of the US, the effects of the German assets build-up will not be limited to the economic sphere, but will probably enter the strategic arena too. America, thanks to the legacy of President Reagan, ranks as the world's largest debtor. It will be progressively reluctant to keep 200,000 troops in a country which has become the second-ranking creditor — and which is turning a more attentive ear towards Moscow.

As short a time ago as 1982, West Germany's net foreign credit position was only DM74bn ($39bn). Last year, although the Bundesbank has not yet published full figures, the credit position seems likely to have risen to about DM350bn. The current account surplus, DM85bn last year, is likely to rise to between DM90bn and DM100bn in 1989, and will probably not be much lower in 1990. By the end of next year, net foreign assets could therefore total around DM530bn — seven times the 1982 level. The Federal Republic will be a net creditor to the tune of well over $300bn, while the US will have a net foreign debt of $700bn or more.

The Federal Republic has been affected during the past 15 months by disproportionate capital outflows which have more than compensated for the current account surplus. Part of the reason was the withholding tax announced last year on domestic bonds (now to be rescinded), which encouraged many domestic investors to place their money in higher-yielding foreign currency investments.

Notwithstanding the controversy about the added outflows prompted by the ill-fated tax, West Germany's natural position has now become that of a giant capital exporter. Furthermore, the country's foreign assets are much less concentrated than in previous years in the form of the Bundesbank's monetary reserves. They are held far more by private sector investors freer to choose between currencies and savings instruments.

The Banque de France now sees the Federal Republic becoming a form of industrial rentier state. On this reading, Germany's ageing and declining population and relatively saturated markets are combining to diminish domestic economic growth. This boosts the current account surplus and automatically drives savings abroad. West German investors can therefore be expected, both directly and indirectly, to play an increasing part in financing budgetary and current account deficits in the US and in partner countries in Europe.

There are two interesting implications. The first concerns the financing of old-age pensions. Unlike the US, Britain or Japan, West Germany does not traditionally run capitalised pension schemes. None the less, the build-up of foreign assets by the private sector reflects a store of wealth which could be drawn down as the country collectively ages.

It is worthwhile noting, however, that if West Germany continues further along the path of a "low absorbing" rentier state, current account surpluses are likely to remain large for the foreseeable future. This would imply that the country would still be adding to rather than drawing down its foreign assets until well into the next century.

The second consideration applies to the terms on which West Germany will be lending abroad. A collapse in confidence in the dollar at some stage in the next year or so would certainly direct still more German security investments to European markets.

The idea put foward by the French Finance Ministry of "recycling" the West German current account surpluses to faster-growing states in the rest of the Community adds up to a bid to ensure that Europe commands a much thicker slice of the German financing pie than the US. Any attempt by the Paris government to halt or even reverse the present gradual liberalisation of French capital markets could be counter-productive, by dissuading German investors from beating a path to Paris.

Whatever happens, the next few years will see rising foreign competition to win the attention of the new German rentiers. It is richly ironic that the Federal Republic, a country which, like Japan, gives clear priority to "industry" over "finance" in the way it handles its domestic economic affairs, is becoming the banker to a large chunk of the rest of the industrialised world.

David Marsh in Bonn

THIS WEEK

INDICATORS of inflation in Britain and other major industrial countries are likely to capture the attention of financial markets in a week full of statistical releases.

Against a background of growing industrial unrest in the UK, Thursday's average earnings and productivity figures for March will be more keenly watched for signs of increasing inflationary pressure than Friday's publication of the April retail price index.

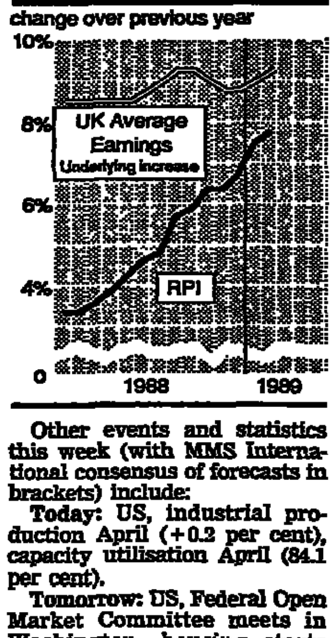
The Bank of England warned last week that February's 9.25 per cent average annual earnings growth was "uncomfortably high."

The consensus of analysts' forecasts compiled by MMS International, the financial research company, is for an unchanged 9.25 per cent rise in March and a 1.4 per cent jump in retail prices between March and April as higher household property taxes, electricity charges and dearer petrol boost the index.

On Thursday, the US reports its consumer price index for April (MMS consensus +0.6 per cent). On Friday, Japanese figures are expected to show a new sales tax boosting wholesale price inflation to an annual 2.7 per cent in April from 0.5 per cent in March, according to Nomura Research Institute. Also on Friday, France is expected to announce a sharp 0.6 per cent increase in retail prices between March and April, following a 0.3 per cent rise between February and March. West German producer price figures are expected this week.

Last week's strength of the dollar and growing inflationary pressures among US trading partners have fueled fears of higher interest rates outside the US despite the clear wish of America's main trading partners to keep rates unchanged.

A key test could come on Thursday when the West German Bundesbank's decision-making central council meets in Frankfurt.



Other events and statistics this week (with MMS International consensus of forecasts in brackets) include:

Today: US, industrial production April (+0.2 per cent), capacity utilisation April (84.1 per cent).

Tomorrow: US, Federal Open Market Committee meets in Washington, housing starts April (1.41m). UK finance bill in House of Commons committee. Japan, machinery orders March.

Wednesday: UK, industrial and manufacturing production March (both +0.3 per cent), public sector debt repayment April (£1bn).

Thursday: UK, unemployment April (-30,000), also vacancies, total employment, hours worked and unit wage costs, first quarter capital spending by industry, provisional vehicle production (April), finance bill in Commons committee.

Friday: UK, provisional money supply and bank lending April (MO +0.1 per cent). France, industrial production April. US, release of FOMC minutes of March 28, federal budget figures (April). Spain, European Community economics and finance ministers gather for informal weekend meeting in Gerona to discuss the Delors report on monetary union and European Commission plans for tax harmonisation.

EUROCREDITS

Banks take a shine to BAe loan terms

ANYONE operating under the impression that bankers have lost their appetite for deals with *razor-thin margins* will have had his illusions shattered by the success of British Aerospace's latest loan.

Citicorp, arranger for what had started out to be a $300m credit, announced that the deal had been so heavily oversubscribed that the final amount was nearly trebled to $825m. The five-year revolving credit offered some of the finest terms seen on a corporate credit in months: a 5 basis point facility fee, a 10 basis point margin and a 2½ basis point fee if more than half the facility is drawn.

The margins were virtually identical to those seen on a widely-criticised deal last autumn for British Steel and terms have certainly hardened since then. Yet the success of the syndication demonstrates that banks are willing to underwrite loss leaders if there is a chance of winning profitable business later on.

In explaining why they had elected to participate in the deal, bankers' rationale ranged from: "We had to – we're one of their brokers," to a desire to obtain some of BAe's extensive swaps and foreign exchange business.

Because the company has wide-ranging overseas operations and export businesses, opportunities for foreign exchange and trade finance abound. Indeed, Japanese and Middle Eastern banks figure prominently on the list of lenders. Banks clearly gambled that participating in an underpriced loan would yield more far-reaching benefits later on.

Significantly, BAe said that in light of its "special" relationship with the four leading UK clearers, the banks had been told prior to syndication that they would not be invited to participate. Indeed, among the list of 40 participating banks in the syndication, only one, Clydesdale, is a UK bank.

"We prefer to keep our relationship with them [the clearers] for other things," said Mr John Hanson, BAe treasurer.

Salomon Inc, the US-based investment bank, is raising its first-ever Eurocredit, a $1bn, 364-day revolving credit facility arranged by Bank of America International and Citicorp. The loan has a risk weighting of zero because it is shorter than a year. The facility is intended mainly to provide back-up credit for the issue of commercial paper.

Salomon is one of several US securities firms said to have been visiting European bankers late last year discussing the possibility of raising funds in London.

While the firms have largely relied on their relationship with American correspondent banks, their recent merchant banking activities, placing their own capital at risk in leveraged transactions, have spurred them to diversify funding sources.

Salomon's loan pays a margin of 25 basis points over Libor and carries a facility fee of 10 basis points. Salomon's short-term securities are rated A-1/P-1 and if both these are lowered, the borrower will pay an additional ⅛ margin.

Meanwhile, a slate of Eurocommercial paper programmes were announced, while in the US outstanding CP in early May passed the $500bn mark to $501.8bn, according to data from the US Federal Reserve. This is up sharply from the approximately $453.9bn outstanding at the end of 1988 and $357.5bn at the end of 1987.

Citicorp has been mandated to arrange a $500m Euro-CP programme for *News Corp* Finance Ltd, the financing arm of News International, and a $250m Euro-CP programme for Ferruzzi Finance which is guaranteed by the parent company.

Norman Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,237.0	0.0	0.0	8,274.2
Prev	200.0	0.2	215.0	8,180.6
Other	844.3	0.0	491.4	3,466.4
Prev	1,694.2	0.0	385.3	1,492.9
Secondary Market				
US$	13,873.5	775.5	4,577.3	5,939.9
Prev	17,612.0	1,687.2	7,022.8	7,524.6
Other	13,272.1	934.6	5,360.0	20,459.6
Prev	17,308.7	988.5	5,472.1	24,734.4

	Cedel	Euroclear	Total
US$	9,285.6	27,391.8	36,677.4
Prev	11,260.1	31,182.3	42,442.4
Other	20,117.4	24,711.0	44,828.4
Prev	21,773.2	30,302.9	52,076.1

Week to May 11, 1989

Source: AIBD

INTERNATIONAL BONDS

Ipma proposals' fine print takes members by surprise

A BUZZ of comment could be heard among Eurobond syndicate managers at the end of last week as they read the fine print of the new market practice recommendations released by the International Primary Markets Association, the trade association which oversees the Eurobond primary market.

There was considerable surprise among market participants when they read the revised text of recommendation 1.2 on the timing of allotments.

"We thought we had agreed one thing at the meeting in April, and now we learn that a very different change has been drafted," said one bemused official.

When Ipma announced at the end of April that it was amending its recommendations to members on new issue practice, many market participants breathed a sigh of relief. It seemed the remorseless competition within the Euromarkets was to be put on a more rational footing.

In addition to significant changes in the recommendations on stabilisation, the practice by which lead managers support the price of newly-issued bonds during the primary distribution phase, an important reduction in the time allowed to lead managers to allot bonds to the syndicate was conceded, with Ipma members agreeing that final allotments should be made within 24 hours of the launch of a deal, instead of within three business days.

This was seen as a sensible way to reduce the risks taken on by syndicate members accepting an invitation into a deal without knowing how many bonds they would actually be alloted by the lead manager.

The new recommendations come into play from today. They apply to all new Eurobond deals launched by Ipma members. The amendment on the allotment recommendation reads: "Final allotments should be made *within the next business day* following launch of the issue or as soon as practicable after the management group is formed if earlier."

This appears to allow lead managers a loophole whereby a deal launched early one day can enjoy two business days before allotments are confirmed.

"It definitely goes against the spirit of what was agreed by the membership," said a disgruntled syndicate manager last week.

Anger was compounded when it gradually emerged that the drafting had been unanimously agreed by Ipma's main board.

According to Ipma officials, however, the allotment recommendation was seen as resting on a technicality whereby houses launching a deal late in Europe needed an opportunity to complete syndication the next day.

However, a simple 24-hour formula was rejected in favour of a less precise phrase in order to ease the time zone objection.

Mr Hansgeorg Hofmann, chairman of the Ipma market practices committee and a managing director of Shearson Lehman Hutton International, said on Friday: "There is nothing controversial in the recommendation.

"It's important to stress that we are trying to encourage reasonable and responsible behaviour by market participants."

He added that if Ipma members felt there was a significant deficiency in the drafting, the recommendation could be reviewed and changed. "It will be a major step forward when members begin airing their complaints direct to Ipma board members," he said.

The Ipma board appears to have accepted the fact that competition in the market had led to unacceptable abuse of new issue procedures as houses struggled to make money, and that this had damaged the Euromarkets image among investors.

In particular, it supported what it saw as a crucial revision, a new recommendation to outlaw the abuse of stabilisation so that lead managers will no longer be allowed to deduct any costs incurred in stabilising an issue from the rest of the syndicate members.

That change was warmly welcomed by most of the leading Eurobond houses on the grounds that it should encourage lead managers to price their deals more carefully and to manage distribution more objectively.

A new mood of co-operation and broad agreement seemed to be in the air when many houses adopted the practice before it became official.

The mood was disrupted last week by the allotment recommendation and by the renewed attention on stabilisation of the same houses which had finally come together to outlaw its abuse.

This was precipitated by J.P. Morgan's decision to pay no underwriting fees to co-managers on an A$100m (US$79.3m) deal it launched for ICI in January.

The decision aroused peculiar controversy because the letter informing co-managers preceded by only a matter of hours an invitation from J.P. Morgan into an almost identical deal for the same borrower.

Some co-managers were furious. They argued that they had already lost money on the deal, and were dazed by the coincidence of the letter and the invitation. Some refused the invitation on principle. Others accepted only after chastising J.P. Morgan and claiming that they were putting relationship reasons ahead of their true instincts.

The net effect was stalemate and unwanted publicity for J.P. Morgan, but the issue raised topical questions about stabilisation. The original ICI deal stabilised by J.P. Morgan was arguably a textbook example of why Eurobond houses feel that stabilisation is a valuable and necessary option for lead managers during distribution of a new issue.

After a satisfactory reception, the deal ran into the sudden and substantial falls which occurred in the Australian market at the end of January. As a J.P. Morgan official claimed last week, stabilisation allowed the bank to support the deal and to buy back bonds in precisely the sort of circumstances envisaged by the original architects of the Ipma recommendations.

Nevertheless, the incident left a bad feeling in the market.

It was seen as evidence that syndicate managers in general are prepared to take advantage of the old system for as long as they possibly can.

"They are driven by the desperate need for profitability, and it is ultimately on this that the market's self-destructive impulses are focusing.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Fiat Finance & Trade(q)◆	50	1990	1	15	100¾	Chase Inv. Bank	14.144
Bank of Montreal◆	170	1990	1	10	101	Bankers Trust Int.	8.911
General Re-Corp.◆	100	1992	3	9¾	101.10	Goldman Sachs	9.313
Onward Kashiyama♦	200	1993	4	(4⅝)	100	Nomura Int.	★
Tokyo Nissan Auto Sls♦◆	100	1993	4	4⅜	100	Yamaichi Int. (Eur)	4.375
Nankai Elec. Railway♦◆	140	1993	4	4¼	100	Daiwa Europe	4.250
Swedish Export Cr.(b)◆	30	1991	2	17½	100	Merrill Lynch	17.500
Kenwood Corp.♦	150	1994	5	(5¼)	100	Nomura Int.	★
Shoko Chukin Bank◆	50	1994	5	9¾	101⅞	Daiwa Europe	9.265
Qantas Airways◆	200.1	1996	7	9⅞	101⅞	Bqe Paribas Cap.Mkts	9.496
Ind.Dev. Bank of India◆	100	1996	7	10	100⅛	CSFB	9.974
LTCB of Japan◆	150	1993	4	9⅞	101.45	LTCB Int.	9.423
Council of Europe(f)◆	50	1990	1	13½	101¾	Bankers Trust Int.	11.548
Kirin Brewery Co.♦	350	1993	4	(4½)	100	Yamaichi Int. (Eur)	★
Cariplo (London)◆	25	1991	2⅓	(n)	100.325	DKB Int.	
CANADIAN DOLLARS							
LB Rheinland-Pfalz Fin.◆	65	1992	3	11	101¾	Mitsubishi Fin.Int.	10.293
Toronto-Dom.Bk (London)◆	100	1994	5	11	101.80	Wood Gundy	10.519
AUSTRALIAN DOLLARS							
Royal Bank of Canada◆	60	1992	3	15½	102	Hambros Bank	14.629
Fuji Bank (Lux)◆	55	1994	5	(c)	102	Fuji Int.	
ICI◆	100	1992	3	15½	101⅝	J.P. Morgan Secs.	14.791
State El.Comm.Victoria◆	75	1994	5	15¼	102	Hambros Bank	14.658
Australian Telecomm.(o)◆	*50*	*1992*	*3¾*	*12½*	*93.90+*	*Samuel Montagu*	-
Montreal Trust Co.◆	50	1992	3	15¾	101.95	NatWest Cap. Mkts	14.867
D-MARKS							
Commerzbank Overseas(e)◆	150	1993	4	8½	100	Commerzbank	8.500
Glunz Int. Finance(j)♦◆	100	1996	7	7	126	BHF-Bank	2.850
SWISS FRANCS							
Dai-Ichi Hotel(i)★★§◆	50	1994	-	½	100	Swiss Volksbank	0.500
Nittan Valve Co.(l)★★§	45	1994	-	(½)	100	Bqe Paribas (Suisse)	★
T'yo N'san A.Sls(m)★★§◆	40	1994	-	½	100	Bank Leu	0.500

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
STERLING							
Avis Europe◆	75	1996	7	11¾	100¼	Samuel Montagu	11.696
Ladbroke(g)§◆	150	2004	15	5⅛	100	CSFB	5.125
Mass Funding No.2(p)‡◆	300	2017	2	(p)	100	J.P. Morgan Secs.	-
ECUs							
IBM Int. Fin.◆	125	1992	3	8¾	101½	CSFB	8.166
Abbey National B.Soc.◆	75	1992	3	9	101⅜	Daiwa Europe	8.482
EIB(k)◆	75	1999	10	9	103	IBJ Int.	8.542
Petrofina Delaware◆	75	1990	1	9½	101.65	Bankers Trust Int.	7.723
PESETAS							
Eurofima◆	15bn	1994	5	12¾	101¾	J.P. Morgan	11.994
LIRE							
Crediop‡◆	200bn	1997	8	(a)	100	San Paolo Bank	-
LUXEMBOURG FRANCS							
Rauma-Repola Oy◆	600	1994	5	7⅞	100	BGL	7.875
BBL Int. NV★★◆	300	1996	7	8	100¾	Credit Europeen	7.857
KBL Int. NV★★◆	300	1996	7	8	100½	Kredietbank Int.	7.904
Varde Bank A/s★★◆	300	1994	5	8¼	100⅝	Kredietbank Int.	8.093
Irish Telecom Invest.★★◆	300	1995	6	8⅛	100½	Banque Indosuez	8.017
YEN							
Royal Trustco(d)◆	5bn	2004	15	7.7	102	Sanwa Int.	7.474
Toronto-Dominion Bk(h)◆	10bn	1994	5	6.45	101⅞	New Japan Secs.	6.005
Oest. Kontrollbank◆	20bn	1999	10	5.3	101.29	Nomura Secs.	5.211

★Not yet priced. ★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Coupon refixed every six months at mean between Libid and annual net yield of ICM bonds. b) Redemption linked to gold/US$ per ounce. c) Step-down coupon: first year 16.7%, 14% remainder. d) Payable in A$ for 10 years, then in yen at long-term prime rate plus 1%. e) May repay in DM or US$ at DM1.87. f) Redemption linked to DM/US$ at rate of DM1.875. g) Put option after 5 years priced at 135.75. Call from June 1989 at par provided the share price exceeds the conversion price by more than the put option price. h) Currency-linked A$/yen. i) Put to yield 2.189%. j) Each DM5,000 has 2 warrants entitling holder to buy total of 20 shares at DM223 each share. k) Fungible with Ecu150m launched in March 1989. l) Indicated put to yield 2.366%. m) Put yields 2.083%. o) Redemption currency-linked, details not disclosed. o) Issue price 93.9 plus 289 days accrued interest. Exchangeable into identical domestic bond. Fungible with previous issue. p) 15bp over 3-month Libor for 4 years, step-up to 50bp. q) Borrower's option to redeem in Lire or US$ at L1,372 to $. Note: Yields are calculated on AIBD basis.

EC dealing rooms venture endorsed

By Tim Dickson in Luxembourg

PLANS TO create a commercial joint venture supplying investment intermediaries with market prices and other company information have been formally endorsed by the Committee of Stock Exchanges of the European Community.

The committee (to be known in future as the federation), which groups together the stock exchanges of the 12 member states of the European Community, fell short of reaching a final decision at its meeting in Luxembourg last Friday but intends to announce full details of its intentions after its next session in London, in September.

Mr Ettore Fumagalli, the Italian president of the committee, described a number of technical issues which have yet to be resolved, although other members indicated afterwards that there had also been broader differences and doubts as to exactly what services the new company would offer.

Developments are being anxiously monitored by Reuters and other electronic information businesses, which rely heavily on stock exchanges for the supply of their basic data.

The background to Friday's deliberations can be traced back to 1980 when the EC committee decided against pursuing plans to create a "supra European" stock market but opted instead to "interconnect" the trading floors of the various European bourses.

This idea, however, has to some extent been overtaken by events as securities trading has moved away from trading floors and into the dealing rooms.

"Our aim now is to try to interconnect the intermediaries," Mr Fumagalli explained. "We did a survey in four of the bigger countries and found that 91 per cent of respondents could see the demand."

He indicated that at this stage there were no plans for a share trading system (like the London Stock Exchange's Seaq), but that the new company would concentrate on supplying "real-time" prices between the member exchanges "for those who want to use them."

Friday's meeting decided that the new venture should be established as a separate company, rather than co-operatively run by the committee, with the 12 stock exchanges supplying the necessary capital as founder shareholders. Further work has to be done on cost/benefit ratios but a project manager has been appointed and a timetable for final agreement set out.

Notwithstanding its main role as the representative voice of EC stock exchanges on proposals from the European Commission, the committee made no formal comment on any of the forthcoming financial services directives.

Asked about the insider trading directive, on which heated discussion is currently taking place at "expert" level in Brussels, the committee's spokesman said there was a danger that the proposal as currently drafted "could hinder the market."

He added: "It is possible that with the notion of a secondary insider everyone in the country could be named. On the other hand, we do need common standards in this field as in others."

Noranda advances in opening quarter

NORANDA, the diversified Canadian resources group, has reported a 23 per cent advance in first-quarter income, in spite of a string of production problems which affected its minerals unit, writes David Owen in Toronto.

In all, net profits for the period totalled C$158m (US$133.9m) or 82 cents a share, compared with C$129m or 66 cents a year earlier. Revennes edged ahead to C$2.27bn from a restated C$2.11bn in 1988.

Earnings growth was strongest in the minerals division, where income rose 50 per cent from year-ago levels. Manufacturing unit results also improved due to strong aluminium markets.

THYSSEN Handelsunion, part of the West German Thyssen group, has announced a wide-ranging co-operation agreement in the oil trading business with Neste, the largest industrial company in Finland, writes David Goodhart in Bonn.

Neste will take a 50 per cent stake in Thyssen Brennkraft, which last year recorded sales of DM1.8bn ($942m), mainly in oil trading. The resultant company, to be called Thyssen-Neste Oil, will be based in Hamburg.

Thyssen said the agreement was designed to provide a stable supply base for Thyssen-Neste Oil, to extend the product range and expand business in West Germany.

CONTINENTAL, the West German tyre company, plans to raise its 1988 dividend to DM8 a share from DM7 after group net income jumped 40.4 per cent to DM194.8m from DM138.8m in 1987, AP-DJ reports.

The profit gain follows the purchase of General Tire of the US in late 1987, which boosted 1988 group sales by 55.1 per cent to DM7.91bn. The acquisition made the Hanover-based company the world's fourth largest tyre producer.

Excluding General Tire, sales rose 6.1 per cent in 1988.

Parent company net profit rose 45 per cent to DM80.9m, from DM55.8m.

Higher crude prices lift Statoil revenue

By Karen Fossli in Oslo

STATOIL, Norway's state oil company, lifted first-quarter profits before extraordinary items to NKr1.55bn ($224m) from NKr1.44bn, but is transferring NKr494m to a currency exchange risk fund, leaving profits of NKr1.05bn this time.

Operating revenues rose to NKr16.28bn from NKr13.82bn in the same period of 1988, helped by higher world crude oil prices.

Operating profits increased by 14.8 per cent to NKr2.14bn in the period while investment in new oil and gas fields reached NKr1.56bn, up slightly on the comparative figure for last year.

Of Statoil's three divisions, marketing and refining was the worst performer and posted a loss, before extraordinary items, of NKr538m due to the closure of the troubled Mongstad refinery for construction work. Exploration and production, the best performer of the three, posted profits before extraordinary items of NKr1.22bn, while the petrochemicals division had profits of NKr318m. Comparative figures for the divisions are not available as Statoil was reorganised last year.

● Norsk Data, the troubled Norwegian minicomputer group, has been forced to revise its 1988 loss before extraordinary items to NKr323m from the NKr271m preliminary deficit announced in January, because of higher than estimated restructuring costs.

The company, which plunged into the red in 1988 for the first time in 16 years, has also forecast a negative result for the first half of 1989 amid declining orders.

"The deviations from the preliminary results are mainly due to a more extensive restructuring of certain units. Some of the costs and provisions have been taken as part of ordinary operating costs," Norsk Data explained.

In the first quarter of 1989 new orders, including software licences and maintenance, fell to NKr585m from NKr664m a year earlier though development in main markets in Norway, Sweden and West Germany "has been most favourable."

Portugal to sell 49% of shares in state bank

By Diana Smith in Lisbon

THE semi-privatisation of Portugal's state enterprises will take another step forward next month when 49 per cent of Banco Totta e Acores (BTA), Portugal's fourth-largest nationalised commercial bank, will be sold in an operation aiming to raise Es20bn ($167m).

The sale of 12.25m BTA shares from June 26 to 30 follows the success of the first semi-privatisation in April, when the sale of 49 per cent of the Unicer brewery was very heavily oversubscribed.

In the case of the BTA sale, the aim is both to strengthen the bank for the forthcoming EC internal market reforms, and to raise funds for the deeply-indebted state.

The price per BTA share will be a basic Es1,600. There will be concessions for employees, emigrants and small buyers.

The bank will create 7m new shares for sale that will lift capital from Es18bn to Es25bn, and the state will get the proceeds from the sale of 5.25m of its existing shares.

BTA, nationalised in 1975, has, since 1984, recovered from heavy losses to growing profit: it doubled cash flow from Es2.1bn in 1987 to Es5bn in 1988, but needs more capital – which the semi-privatisation will ensure – to raise its solvency ratio to EC levels.

The sale will include three public auctions. There will be no bearer shares.

A quarter of the shares on offer will be for employees, emigrants and small buyers who must keep their shares for two years.

These individuals may subscribe 20 to 200 shares at a fixed discount price of Es1,400 each for employees and Es1,500 for emigrants or small buyers. The latter group includes foreigners.

No single Portuguese company or individual may take more than 10 per cent of privatised capital; foreigners collectively may not hold more than 10 per cent of the privatised capital.

RAS to pay more after firm gains

By Alan Friedman in Milan

THE parent company profits of Riunione Adriatica di Sicurta (RAS), Italy's second biggest insurer, rose by 19.1 per cent in 1988 to L61bn ($43.6m).

The Milan-based insurer, which is owned by West Germany's Allianz Versicherung, said premium income last year was 8.3 per cent higher at L2,207bn.

RAS is proposing a L300 dividend per ordinary share, up from L280 in 1987, and L360 per non-voting savings share, against L300.

Total group premiums, including overseas subsidiaries, was L5,047bn, up from L4,226bn.

Meanwhile, Mr Enrico Randone, chairman of Generali, Italy's leading insurance group, said he would soon be signing a joint venture agreement in Hungary. Mr Randone said on Italian television that the Hungarian accord would probably involve a jointly held insurance operation.

● Italcementi, the cement company controlled by Mr Giampiero Pesenti, suffered a 13 per cent drop in 1988 net profit to L142bn. Turnover rose by 8 per cent to L1,095bn.

Sale of key MPH stake backed

By Wong Sulong in Kuala Lumpur

THE BATTLE for Multi-Purpose Holdings, the diversified Malaysian Chinese investment group, took a surprise turn when receivers holding a controlling 29 per cent stake said they would recommend the Malaysian central bank to sell the holding.

The buyer would be Kamunting, a property development, construction and plantations group owned by the Lim family and their Malay associates.

Kamunting has announced a cash offer of 592m ringgit ($220m) for the entire assets of Koperative Serbaguna Malaysia (KSM), which include a 29 per cent holding in MPH.

KSM has been in the hands of receivers Price Waterhouse, by order of the Malaysian central bank, because of heavy financial losses.

The non-MPH assets of KSM are estimated to be worth 120m ringgit, so Kamunting will be paying 472m ringgit for the 217m MPH shares held by KSM, or 2.17 ringgit per share.

This is 67 cents higher than an earlier offer by Hume, part of the big Hong Leong group of Malaysia and Singapore, of 1.5 ringgit per share for the entire capital of MPH.

Observers close to the Malaysian Chinese Association, the largest Chinese political party in Malaysia, say the Kamunting proposal has the blessings of the association, which has criticised the Hume offer as too low and politically motivated.

Association leaders believed Hume was acting in concert with Malay groups, but this has been strongly denied by Dr Mahathir Mohamad, the Prime Minister, who said the bid was a commercial matter. The association used to control MPH through KSM.

On Friday, Price Waterhouse said that since the Kamunting offer would ensure KSM depositors received a full refund of their deposits, the receivers would "make a positive recommendation" to the Malaysian central bank to accept the offer.

Analysts say Hume is expected to make a counter-bid, although it is unclear whether its next initiative will be a higher general offer, or merely a higher offer for the KSM stake in MPH.

GBL disappoints with slight recovery

GROUPE Bruxelles Lambert, the Belgian holding company with interests in financial services and energy, has reported a slight recovery in profits and an increased dividend for 1988, writes William Dawkins in Brussels.

Consolidated profits rose by about 2 per cent to BFr5.85bn ($146m) from the previous year's BFr5.72bn. This disappointed the share market.

Analysts believe GBL, run by Mr Albert Frère, the financier, has been hit harder than expected by the US insider trading fines imposed on Drexel Burnham Lambert, its US investment banking affiliate.

Earnings per share rose from BFr328 to BFr333. At the non-consolidated level, net profits climbed from BFr4.35bn to BFr4.61bn, before the transfer of BFr920m to non-taxable reserves.

Non-consolidated earnings per share were BFr263, against BFr249.

The full-year dividend is to be BFr173 gross per ordinary share, with similar increases for other classes of partially tax-exempt shares.

Chicago investor heads fresh bid for Eastern

AN INVESTMENT group led by a Chicago options trader has made a bid for Texas Air's Eastern Air Lines that would temporarily put Mr Frank Carlucci, the former US Defence Secretary, in charge, Reuter reports from New York.

The agency, quoting the New York Times, said Mr Joseph Ritchie, head of the Chicago Research and Trading Group, made the offer on Saturday after a judge extended last Wednesday's deadline for bids.

The newspaper said Mr Ritchie declined to reveal the size of the offer or other details but said it would give the troubled carrier's unions a bigger stake in the airline than did a previous bid led by Mr Peter Ueberroth, a former US baseball commissioner.

The airline was unavailable for comment.

Eastern has been virtually grounded since its machinists union went on strike in March. Eastern filed for bankruptcy later that month.

Mr Ueberroth's group had offered Eastern's unions a 30 per cent stake in the airline in exchange for $210m in wage concessions. A federal bankruptcy court judge will consider bids on Wednesday.

● Trans World Airlines, Mr Carl Icahn's international carrier, has reported higher operating and net losses for the first quarter of 1988 despite increased operating revenues.

Revenues rose from $920.2m in the 1988 quarter to $989.7m, but operating expenses also increased from $927.9m to $1.02bn, due to higher employment costs reflecting both a contractual "snapback" of concessions previously granted by the machinists union and capacity growth.

This left the operating loss at $30.9m, against $7.76m. The net loss was $83.1m against $52.5m.

US MONEY AND CREDIT

Explosive rally ends turbulent week

PUTTING ON one of their most schizophrenic performances in ages, US bond markets swung from pessimism to euphoria in a few action-packed days last week.

The turnround was largely a gut reaction to signs that inflationary pressures were weakening. Investors and traders will have a much harder time deciphering things this week, though. The key question will be whether the Federal Reserve's open market committee votes to ease monetary policy at its meeting tomorrow.

Most analysts already consider the answer is probably no, but they are hoping for at least a neutral stance by the Fed. Even that may not be enough to prevent a retreat at the short end of the market. Interest rates have already fallen to a level reflecting a little easing in policy.

Last week began with low hopes for the Treasury's quarterly refunding auction. Weak investor demand was forecast, particularly for the 10- and 30-year securities because inflation was likely to be spurred by rising energy prices and other factors.

The markets received a shock when even the three-year notes, the first securities to be sold, were cold-shouldered. Investors were apparently worried that figures for retail sales and producer prices due later in the week would be uncomfortably high.

The next day's sale of 10-year notes was equally tough going for the Treasury. Japanese investors took the inflation message to heart more than most and bought far fewer three- and 10-year notes than usual even though the latter were yielding 3¾ percentage points more than comparable Japanese government paper. The 30-years sold on the third and last day of the auctions did little better.

By luck or good judgment, the biggest buyers at the auctions were dealers themselves. By early Friday morning they had booked big profits on the paper as the markets enjoyed an explosive rally.

The ground had been set on Thursday with news that US retail sales had risen only 0.4 per cent in April, way below the 1 to 1.5 per cent forecast. Consumers had bought few durable goods apart from cars, offered with hard-to-refuse low-financing terms from manufacturers keen to revive declining sales. A further boost came on Friday morning when the markets heard producer prices had risen only 0.4 per cent in April rather than the 0.7 per cent expected. Even better, the index minus food and energy fell 0.1 per cent.

From mourning a supposedly imminent rise in demand and inflation, markets celebrated the economy's gentle glide down to a non-inflationary growth rate. "The soft landing now seems more likely," said Griggs and Santow, money market economists.

Bond prices leapt by as much as 2⅛ points, their biggest gain in a day for more than eight months as yields fell to a six-month low. The yield curve turned positive for the first time since December with the long end yielding some four basis points more than the short.

But the curve looks a little too optimistic at the short end where, for example, three-month bills are offering a bond equivalent yield of 8.47 per cent, more than a percentage point below dealers' carrying costs. The Fed is highly unlikely to ease that much.

In fact, the Fed will inevitably take much more convincing than the markets that the inflationary pressures are weakening enough to justify an easing in monetary policy soon. Before reaching such a conclusion, the open market committee is likely to have a spirited debate.

The hawkish Federal Reserve bank presidents who had pushed hard for the earlier rounds of tightening are certain to argue there is not yet enough evidence to support an easing. Pitted against them will be those dovish Fed governors, more relaxed about inflation, who fought a rearguard action against tightening. Perhaps the most likely outcome is for the committee to hand down a neutral directive to the Fed's trading desk.

The trouble is that technical factors will make it hard for market participants to decipher this week what action the Fed has taken. The Treasury's balance at the Fed is currently an unusually high $22bn, mostly because of a flood of tax payments. The balance should fall over the next three weeks to $5bn or so, meaning a lot of reserves will be sloshing around the banking system.

The Fed will drain with matched sales and other actions but, none the less, the Fed funds rate at which banks lend reserves to each other could ease from its current range of 9¾ to 9⅞ per cent. Analysts will need to watch carefully to figure out if softness in Fed funds is purely technical or partly the result of a minor easing in policy.

In addition to favourable US economic data, the other happy factor driving the bond market last week was the remarkable performance of the dollar. The world's leading central bankers rolled over and played dead at the beginning of the week. They said they would leave the dollar to find its own level rather than try to fight it.

The message was a sudden break from the course they had been pursuing. On Friday they did another about face and tried to ambush the dollar through hefty intervention when it dipped after the weak inflation numbers. The markets mocked them, driving the dollar smartly back up in hectic trading.

Perhaps the central bankers thought the dollar should weaken since US interest rates look as though they have peaked, economic growth is slowing and the country's trade performance has stopped improving.

They may have underestimated the huge demand for the currency from foreign investors switching back into dollar-denominated securities. The Japanese, for example, were buying such investments during the first three weeks of April at an annual rate of $120bn, against $43bn for all of last year. Although they faded away at last week's auction, the lessening of inflation fears should bring them back soon.

All this instant optimism faces some tests this week with the release of key economic data. Today brings industrial production, which is likely to show an increase of about 0.3 per cent after two flat months. Tomorrow should see a small upturn in housing starts. Wednesday brings the trade deficit, probably unchanged from $10.5bn in February and Thursday is likely to show an increase in the consumer price index of 0.6 per cent in April.

Markets that respond in knee-jerk fashion to data could believe these numbers mean rising demand, poor trade performance and higher inflation. Such a judgment would dent last week's euphoria.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.57	9.75	9.81	9.89	6.27
Three-month Treasury bills	8.47	8.72	8.79	9.05	5.60
Six-month Treasury bills	8.65	8.87	8.77	9.30	5.74
Three-month prime CDs	9.37	9.78	9.95	10.12	6.77
30-day Commercial Paper	9.55	9.60	9.81	9.81	6.65
90-day Commercial Paper	9.43	9.57	9.82	9.82	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	102$\frac{28}{32}$	+1	8.79	8.99	9.37
20-year Treasury	104¼	+1⅛	8.88	9.01	9.26
30-year Treasury	100⅝	+1¼	8.83	8.95	9.10

- Money supply: In the week ended May 1 M1 fell $5.2bn to $781.7bn.

NRI TOKYO BOND INDEX

December 1983 = 100	11/5/89	Average yield (%)	Last week	12 wks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	148.14	5.04	148.05	148.58	147.19
Government Bonds	148.48	4.82	148.36	149.16	148.44
Municipal Bonds	149.98	5.26	149.88	150.96	148.55
Govt.-guaranteed Bonds	150.99	5.31	150.93	152.07	149.66
Bank Debentures	141.70	5.04	141.70	141.72	140.31
Corporate Bonds	150.27	5.41	150.09	148.79	146.61
Yen-denom. Foreign Bonds	153.97	6.18	153.79	152.85	149.59
Government 10-year†	5.04	-	5.02	4.88	4.86

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Bank buys evenly along yield curve

THE GILT-EDGED securities market moved ahead on Friday but most of the gains were made during Friday afternoon following the release in the US of producer price figures.

The market's advance was, therefore, one of being pulled up with the rest, rather than climbing to new levels because of any fundamental change in view. Indeed, as market makers raised prices in response to the rally in the US bond market, investors, locked in the woodwork all week, began to appear, thereby placing a ceiling on the gilt rally.

This is key week for UK economic indicators. But with investors inclined to the view that the market is already fully valued at current levels, with any weakness in prices supported by official operations, it is difficult to see how the market can reach a new level.

* * *

ANALYSIS of the Bank's quarterly bulletin by Warburg Securities shows that the authorities bought in £3.75bn in the final quarter of 1988/89 but for the first time the buy-in was spread fairly evenly along the yield curve.

In the one to five-year area the Bank bought £1.2bn (£199m in the third quarter), five to 15 years £1.38bn (£737m previously), and 15 years and beyond £1.15bn (£1.27bn).

Does the more even pattern of purchases tell the market anything about tactics? It tells us that the Bank was able to buy short gilts without being concerned that it would send a misleading signal to the market about short interest rates. The market has become accustomed to the sharply inverted yield curve.

It might also suggest that the Bank is trying to spread the effects of its buying-in along the yield curve. Then again it might simply reflect the volume of business it had to transact. Nearly £4bn of purchases concentrated in long-dated issues, as appeared to be policy in the second and third quarters of the year, might have severely distorted the term structure of rates.

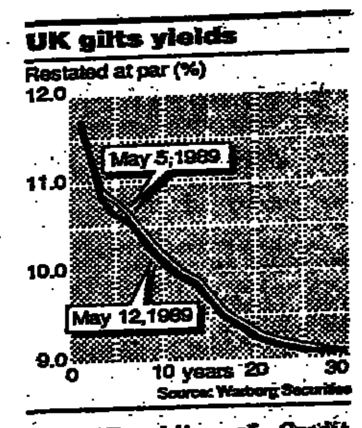
The Treasury is certainly pleased with the consequences of the Bank's debt buy back. In answer to a Treasury committee query on funding policy, one calculated to depress a fund manager, it said: "The Government does not believe it would be helpful to raise long-term interest rates. Raising long-term interest rates in relation to short rates would tend to deter investment and encourage lending to finance consumer spending."

Perhaps it is because the market is in the doldrums, or because market analysis is becoming increasingly dominated by Treasury exiles, but the topic of the Government's funding policy is exciting analysts again, as is the long-term future of the gilt market.

Mr Adam Bennet, of Shearson Lehman Hutton, and Mr Mark Franklin, of Credit Suisse First Boston, (both latterly of the Treasury) have ventured into these waters.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Mr Bennet starts with the problems that the Bank has had in managing the money market. A lot of surplus cash is being generated because the funding policy excludes bank and building society sales of gilts to the Bank, thereby requiring gilt purchases far in excess of the Budget surplus and changes in foreign reserves and National Savings.

He ends with a recommendation to stop *funding* and switch to *financing* the public sector borrowing requirement – whereby Bank purchases of gilts from banks and building societies would count. The suggested move from neutral funding to financing sits somewhat oddly with his comment that neutral funding makes no sense in that the Government is not using funding policy to control the growth of broad money. He is implicitly recommending over-funding.

In rebutting a similar suggestion made by Professor Brian Tew, an adviser to the Treasury committee, the Treasury said: "It would be illogical to say that only transactions outside the bank and building society sectors count when the Government is making net sales of debt but that all transactions should be included when the Government needs to make net purchases."

In a forthcoming economic progress report, the Treasury will explain more fully its objections to over-funding. Given that the Bank plans to make good last year's £2.5bn over-fund this year, the move to under-funding that this implies for 1989/90 might usefully be explained as well.

Mr Franklin looks into the future and, using a different glass from that of Mr Simon Briscoe at Greenwell Montagu, finds there is a market after all at the turn of the century. His central case suggests that a combination of expenditure rises and large cuts in corporation and personal income taxes and zero inflation by 1997/98 produces a gilt market of around £80bn by 2001. In this case, the PSBR is set at zero, excluding privatisation receipts.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MAY 12

UK COMPANY NEWS

Gold Fields' bid battle draws closer to an end

SEVERAL quick-fire rounds of legal action in New York by Wednesday night will likely determine the outcome of Minorco's £3.5bn bid for Consolidated Gold Fields, Britain's biggest ever takeover battle.

Today, Newmont Mining – Gold Field's 49 per cent-owned US affiliate – will reply in court to Minorco's allegations that it had "fraudulently obtained" an injunction in New York blocking the takeover of Gold Fields, the UK mining group.

For its part, Newmont is trying to show that Minorco, the South African-controlled investment company, is violating the injunction in the way it is attempting to find a buyer for Gold Fields' stake in Newmont.

To prepare their case, Newmont's lawyers took depositions under oath in New York on Friday and Saturday from Sir Michael Edwardes, Minorco's chief executive who was in town briefly from London for the questioning, Mr Hank Slack, the Minorco director responsible for its North American activities, and Mr William Loomis, co-head of investment banking at Lazard Freres, Minorco's New York financial adviser.

Minorco will reply tomorrow to Newmont's reply. Meanwhile, it is continuing its search for a buyer for Newmont to settle the anti-trust issues on which Judge Michael Mukasey has blocked the bid which expires at midnight on Wednesday night.

Rexmore delays results

REXMORE, a supplier of upholstery, textiles and timber, is to delay the announcement of its results for the year to April 1 1989 until mid-August.

Last October it merged its retail interests with those of Cattle's Holdings to form Rosebys, 20 per cent owned by Rexmore and 80 per cent by Cattle's. Rosebys then acquired Waldmans from Rexmore for a maximum £2.6m.

Rexmore intends to delay its results until Waldman's audited results for its first year's trading have been confirmed and that the final tranche of the £1.1m cash consideration has become payable.

Seafield rises to I£1m

SEAFIELD, a Cork-based producer of textile and PVC coated fabric products, returned profits of I£1m (£0.84m) pre-tax for 1988 and is returning to the dividend list for the first time since 1974 via a 0.2p payment.

The company is also acquiring Barnsley Storage for £1.25m cash. Barnsley made pre-tax profits of £55,000 on turnover of £187,000 for the year to end-June 1988. Net assets at that date were £295,000.

Seafield profits, which compared with £762,000 a year earlier, were struck on turnover of £8.19m (£9.08m). Earnings were a same-again 6.2p.

COMPANY NEWS IN BRIEF

EXPLORATION Co of Louisiana: Income before tax $554,000 ($685,000) for three months to March 31 1989.

LOPEX has exercised its rights to increase its stake in Interactive Television to 52 per cent for a cash payment of £71,290.

OVERSEAS INVESTMENT Trust: Net asset value per share at half year ending March 31 1989 was 260.7p (221.5p). Net revenue in the period totalled £512,000 (£263,000) and the dividend is raised to 0.7p (0.5p).

TRICOM GROUP has bought Micom-Borer for £7m funded by injection from Schroder Ventures and Midland Bank. The move will boost Tricom's turnover to some £48m and place it in third position in the UK data communications systems market.

ROTHMANS INC (US subsidiary of Rothmans International): Results for the year to March 31 show sales up $1m to $414m (£249m) and earnings from continuing operations of $33.7m ($30.4m). Earnings per common share were $5.82 ($5.21)

Jack Israel expands via £1.5m purchase

By John Thornhill

JACK L ISRAEL Group, the USM-quoted fruit and vegetable importer, is expanding its interests in dried fruits and nuts through the £1.5m acquisition of Sundora Foods from the Gill & Duffus division of Dalgety, the food and commodities group.

The deal is to be financed by the placing of about 7.5m Jack L Israel shares at 20p apiece.

In addition, Jack L Israel will raise £175,000 in cash by the issue of 875,000 new shares which will provide additional working capital for Sundora.

Sundora prepares and packs a wide range of dried fruit, cereals and nuts and sells the produce under its own label and to major supermarket chains.

In the year to June 30 1988, Sundora made profits before tax and interest of £274,000 on turnover of £5.1m.

Net assets at April 30 1989 were about £1.36m.

Mr Yoav Gottesman, Jack L Israel's chief executive, yesterday said: "This is a significant move for the company which will take it upstream into a value added business."

In a separate deal, Jack L Israel has bought the freehold of Sundora's head office and factory in Pocklington for £600,000 in cash.

Cookson in £41.7m US acquisition

Cookson Group, the specialist metals and chemicals company, is to pay $69.5m (£41.7m) for Camac Corporation, a US producer of solution-dyed nylon fibre used in industrial and automotive carpets and upholstery.

Camac achieved pre-tax profits of $6.5m on sales of $54m in 1988.

Beecham buys in W Germany

Beecham has acquired two natural health care products from West Germany. The brands being purchased are Ravalgen, which improves blood circulation and reduces cholesterol, and Protecton, which helps to build up resistance to infection.

Bardsey to sell hand tool offshoot for £7m

By Graham Deller

BARDSEY is to sell its Rabone Chesterman hand tool manufacturing operation to The Stanley Works, the UK subsidiary of the US-based tool and hardware group, for an approximate £6.7m.

Rabone makes a range of tools and measuring equipment for the home improvement market and the construction and engineering industries. In 1988, it contributed £11.7m to Bardsey's total turnover of £32.31m and £600,000 to pre-tax profits of £1.51m.

The actual amount of the consideration is to be based on Rabone's assets and liabilities on completion. Stanley will also assume certain trade liabilities amounting to some £1.8m.

Bardsey will retain ownership of Rabone's factories in Sheffield and Birmingham, which together have a book value of £2m, and are to be leased to Stanley. The deal does not include Rabone's South African business.

Mr Harry Westropp, managing director, said that Bardsey had been approached by Stanley. Returns from the capital investment necessary to combat increasingly competitive market conditions worldwide would be less attractive than the opportunies provided by the disposal, he said.

Bardsey now had a cash surplus which would enable it to purchase "good companies at low multiples."

Mr Westropp said the group was particularly interested in engineering-related companies where its own management style could be brought to bear to best advantage.

The sale is conditional on the approval of Bardsey shareholders.

Mr Geoffrey Baldwin, chairman of Bracknell-based Stanley, said Rabone would complement Stanley's European activities "by broadening the range of measuring tools offered to customers". He said Rabone would be a separate operation with its own branded products and sales force.

SHARE STAKES

AT Trust: Gavin Beaumont sold 50,000 ordinary shares in trust reducing his holding to 4.95 per cent.

BPP Holdings: Mr C L Prior, a director, has disposed of 5,000 ordinary at 160p per share and his total holding is now 470,000 beneficial and 73,000 non-beneficial (8.9 per cent and 1.4 per cent respectively).

Breedon: Evered Holdings has disposed of entire 2.339m shares (8.22 per cent).

Exmoor Dual Investment Trust: Following the sale of 100,000 income shares, the River Plate and General Investment Trust now holds 650,000 income shares (8.66 per cent).

Iceland Frozen Foods: Directors P S Hichcliffe and M C Walker have disposed of 298,895 and 292,495 ordinary respectively at 346p per share. Both now hold 5m ordinary (5.68 per cent).

M6 Cash and Carry: Reikester has purchased 30,000 ordinary taking its total holding to 70,000 (1.45 per cent).

Pavilion Leisure Holdings: Jeremy Porter has sold 20,000 ordinay at 205p and now holds 691,000 (9.8 per cent.

Ramco Oil: Mr T E Remp has granted an option to a trust established in the Channel Islands, of which Mr S E Remp and his family are beneficiaries, to acquire from him up to 2,511,680 Ramco Oil Services ordinary (15.1 per cent) at any time prior to December 31 1991 at a price of 25p.

Sunleigh Electronics: FKI Babcock has purchased 5,000 ordinary taking its total holding up to 4.205m shares (20.01 per cent).

Town Centre Securities: Junction Nominees has acquired 1,825,312 ordinary and the total holding is now 7,510,312 (8.00783 per cent).

TV-am: Quantum NVhas sold 250,000shares and is now interested in 5.42m (8.3 per cent).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

CCS Group (Section: Buildings).

CST Emerging Asia Trust (Ord. & Warrants) (Investment Trusts).

Laing (John) A (Buildings).

Wood (Graham) (Buildings).

Green Prop expands its UK portfolio

By Paul Cheeseright, Property Correspondent

GREEN PROPERTY of Dublin has expanded its UK portfolio through the I£34m (£28.5m) acquisition of Surelodge Investments, half of whose 18 properties are in south east England.

Part of the finance for the purchase will come from the placing of 3m new ordinary shares at a price of 160p, the sterling equivalent of which at 135p represents a 15p discount on the London market price.

Green is also issuing £3m of new convertible loan stock at 135p for each £1 unit. The two issues will raise £8.8m.

The remainder of the finance for the purchase of Surelodge will come from bank borrowing. However, the cost is offset by the sale for £9.8m of a 50 per cent stake in the Northside shopping centre, in the Dublin suburbs, to Allied Irish Investment Managers.

Addison Tool lifts profits 68% to £1m

By John Thornhill

Addison Tool, a private company which manufactures tube bending machines and imports industrial saws, increased pre-tax profits by 68 per cent from £573,000 to £962,000 in 1988.

Turnover rose by 29 per cent to £14.02m (£10.85m).

Addison is now planning to expand its plant, near Preston in Lancashire. The plant will be expanded from 30,000 sq ft to 50,000 sq ft.

The saw division, which produces half the company's revenue and profit, is to develop its warehouse facilities enabling the company to modify its products and manufacture accessories for its range of 160 saws.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Crystalate, Hanson, Holmes & Marchant, Kunick, Parkway, SAC Int.

Finals- Cakebread Robey, Rechem Environmental, South African Breweries, Vivat.

FUTURE DATES

Interims-

Bett Brothers	May 23
Brooke Tool Engineering	June 6
Cons Co Bultfontein Mine	May 22
GPG	May 26
Keystone Investment	May 16
Moran	May 23
Pericom	May 22
River & Mercantile Trust	May 18
Union Steel Corp of SA	May 22
Finals-	
Anglo American Corp of SA	June 1
Caradon	June 5
Chelsea Artisans	May 16
City of London PR	May 17
English & International	May 19
Gieves	May 17

FORTHCOMING SURVEYS

The Financial Times proposes to publish the following surveys during the course of this year.

Wales, 11th September 1989
Bristol, 24th November 1989

If you would like to receive an editorial synopsis or information about advertising, contact:
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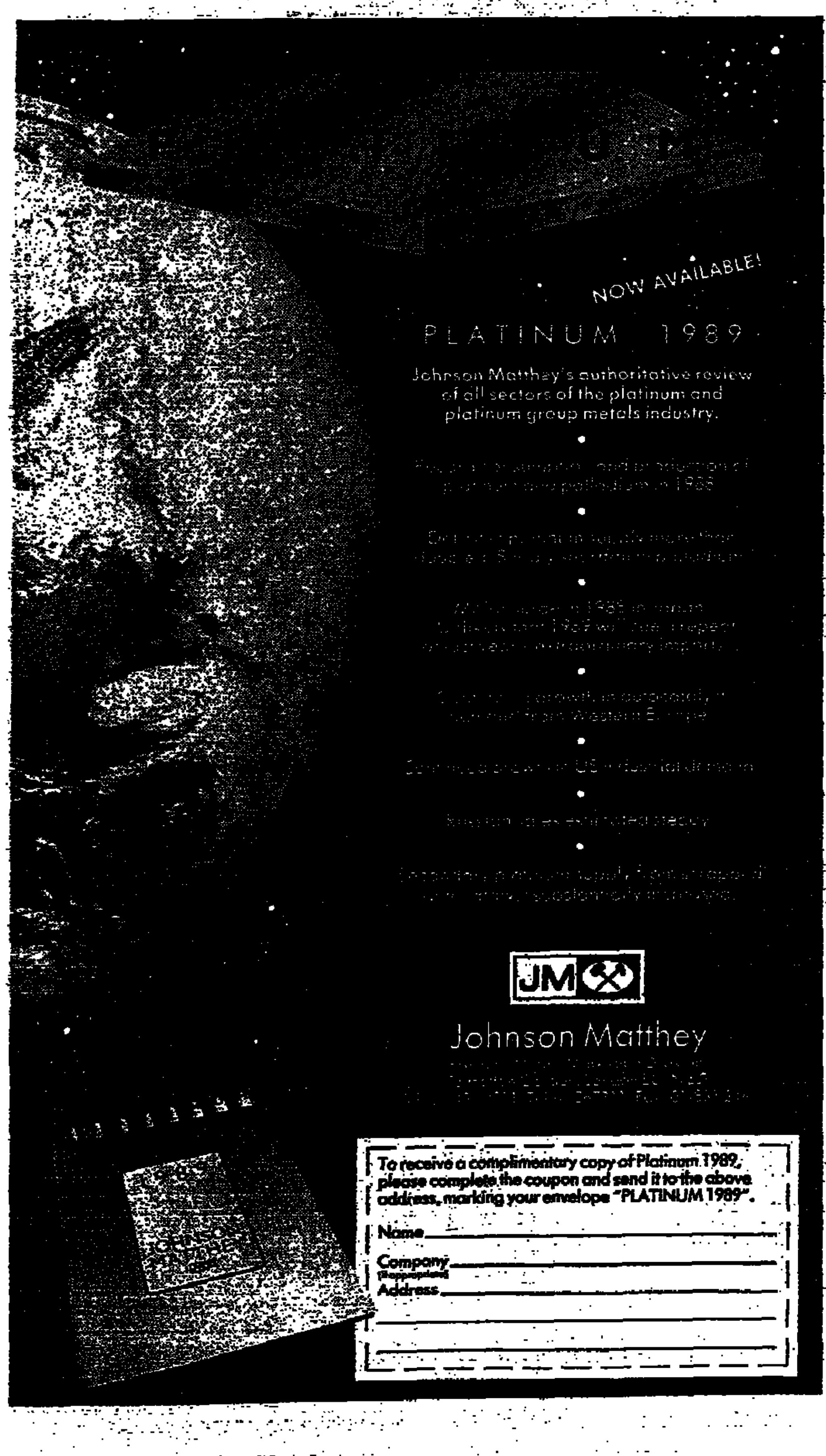

FINANCIAL TIMES STOCK INDICES

	May 12	May 11	May 10	May 9	May 8	May 5	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.76	86.54	86.56	86.52	86.85	86.85	89.29	85.84	127.4	49.18
Fixed Interest	97.05	97.32	97.36	97.54	97.27	97.59	99.59	95.93	105.4	50.53
Ordinary	1779.1	1758.7	1763.4	1767.8	1762.7	1770.9	1779.1	1447.8	1926.2	49.4
Gold Mines	176.3	174.3	173.3	174.4	174.7	174.3	196.1	154.7	734.7	43.5
FT-Act All Share	1099.00	1087.94	1090.61	1094.05	1091.94	1097.29	1101.68	921.22	1238.57	61.92
FT-SE 100	2135.7	2110.6	2117.0	2125.1	2119.6	2132.8	2135.7	1782.8	2443.4	986.9

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth						0345 717373
High Income						
American Income	6	50 48	51 00	54 29	5 05	40000
Gilts & Fixed Int	6	111 9	111.9	118 9	8 41	40001
High Inc Equity	6	131.7	134.7xd	143 2	4.43	40002
Worldwide Bond	6	186.3	186 3xd	197.5	4 91	40003
Capital Growth						
American Growth	6	171.5	173.5	184 5	1.34	40004
Asian Pacific	6	98 78	100 80	107 20	0 65	40005
Assets & Earnings	6	156 80	158.80xd	169 9	1.53	40006
Capital Reserve Acc	0	84 53	84 53	84 71	4 72	40007
Comdty & Energy	6	97 05	97 05	103 8	1 01	40008
1992 Enterprise	6	56 54	57 64	61 31	2 94	46597
European Capital	6	81 34	81 34	87 00	0 86	40009
General	6	175 6	175 6	187 9	2 39	40010
Japan	6	108 6	110.5	117.5	0.00	40011
Mastertrust	6	83 47	83 47	89 28	1 60	40012
UK Growth Acc	6	201 6	201 6	215 7	1 04	40013
UK Growth Dist	6	134 4	134 4xd	143 8	1 56	40014
US Emerging Cos	6	50 60	52 23	55.56	0.00	40015
Income & Growth	6	289 40	289 40xd	309 6	3 31	40016
Ethical	6	48 72	49 89	53 07	2.36	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ						0800 833580
Amer Inc & Growth	5	28 47	28 47xd	30 39	3 82	40019
European	5¼	59 65	59 77	63 80	0 00	40025
European Income	5¼	58.66	58.66	62 62	3 47	41377
Exempt	1	795 8	795 8xd	830.5	2 38	41379

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green W12 8SQ						01-740 7070
UK General Tst	5½	54.39	55 23	59 07	2 70	40217
Global Tst	5½	42.64	42.85	45.83	2 30	40218
Recovery Tst	5½	54 21	56 46	60 06	1 92	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr Cottons Lane Ldn SE1 2QL						01 234 6000
Growth Fd Acc	5	106 4	107.7xd	113 6	3.30	40220
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY						01-242 1148
CS America	5	55 61	55 61xd	59 15	0 56	40221
CS International	5	54.29	54.29xd	57.75	1.87	40222
CS Japan	5	122 7	122.7	130 5	0 34	40223
CS Portfolio Inv ◆	5	70.80	70 80	75.31	1.69	40224
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts						0707 51122
Can Gen Dist	5	138 8	143 8	151 4	3 06	40225
Do Gen Accum	5	231.4	239 9	252.5	3.06	40226
Do Income Dist	5	93.97	97 75xd	102 9	5 47	40227
Do Inc Accum	5	215 3	223 9	235 7	5 47	40228
Gilt & Fxd Int	5	36 55	36 62	38 55	8 33	40229
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley. HA9 0NB						
01-902 8876						Dealing 0800 282621
Growth	5¾	38.03	38 45	40 90	2 49	40230
Income	5¾	47 45	48 10	51 44	4 02	40231
Far East ◆	5¾	36 53	36 81xd	39 37	0 05	40232
North American ◆	5¾	32.19	32.69xd	34 78	2.06	40233
Global ◆	5¾	51 43	52 35	55 69	1 76	40234
European	5¾	49.67	49 87	53.34	1 00	40235
Japan ◆	5¾	101 7	102 3	109 4	0 01	40236
Intl Currency Bd	5¾	41.98	41.98xd	44 51	6 75	40237
Strategic Opps	5¾	53 81	54 99xd	58 81	1 26	46257
Capability Trust Mngrs Ltd (1200)F						
Admin 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300						Dealing 0277 261010

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Elcon Ltd (1600)F						
Central Ct, Knoll Rise, Orpington, BR6 0JA						0689 70538
Elcon Trust	5	152 6	153 9	164 9	—	46361
Equitable Units Admin Ltd (1600)F						
Walton St., Aylesbury, Bucks, HP21 7QN						0296 431480
European	6	45 35	46 53	49 50	1 72	40383
Far Eastern	6	152 39	155 97	165.93	0 48	40384
Gilt & Fxd Int	6	51 30	51 42	54 71	7 68	40385
High Income	6	107.86	110.17xd	117 21	5 09	40386
Intl Growth	6	67.57	69 08	73 49	1.63	40387
North American	6	69 16	70 85	75 38	1 19	40388
Pelican	6	104 33	106 17xd	112 95	3 81	40389
Special Sits	6	111.36	114.33	121 63	2.92	40390
Tst of Inv Tsts	6	108.36	111 01	118 10	2 00	40391
Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corporation St, Coventry						0203 553231
UK Growth Acc	5¼	205.8	206.6xd	219 8	3.57	40392
UK Growth Inc	5¼	165 1	165 9xd	176 5	3 57	40393
Higher Inc Acc	5¼	380 5	384.2xd	408 8	4.74	40394
Higher Inc Inc	5¼	276.1	278 8xd	296 6	4 74	40395
Gilts/F xd Int Acc	5	115 6	115 6	121 6	8 77	40396
Gilts/F xd Int Inc	5	80.25	80.25	84 47	8 77	40397
Nth America	5¼	133 0	133 5xd	142 1	0.01	40398
Far East	5¼	246 6	248.6xd	264 5	0 02	40399
Europe	5¼	178 8	180 4	192 0	0 00	40400
General	5	296 0	296 8	315 8	3 75	40401
Brit Excell	5¼	46 13	46 13xd	49 08	3 18	40402
Brit Fndmtls Acc	5¼	56 44	55 44	58 98	6.47	40403
Brit Fndmtls Inc	5¼	52 41	52.41	55 76	6 47	40404
Global Dms	6	49 00	49 85	53.04	0 00	—
Exeter Fund Managers Ltd (1400)F						
23 Cathedral Yard, Exeter EX1 1HB						0392 412144
Fd of Inv Tsts	5	24 18	24 53	26 10	1 41	40405
High Income	5¼	48.91	50.18xd	53.39	9 29	46066
Capital Growth	6	47 83	48 93	52.48	0.00	—
FMS Investment Mngmt Ltd (0905)H						

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA						01-588 3963
PM Equity Gth	5	120.8	123 0	130 8	2.60	41169
PM Income & Gth	5	105 2	106.9	113 7	4 61	41170
PM Nth Amer Gth	5	50.64	50.64xd	53.87	1 40	41171
PM European Gth	5	50.42	50.42xd	53 63	0.83	41172
PM Japan Gth	5	79.49	79 63xd	84.71	0.29	41173
PM Overseas Gth	5	51.79	51.79xd	55.09	0.48	41174
Prudential Holborn Unit Tsts Ltd (1445)H						
51-69 Ilford Hill, Ilford, Essex IG1 2DL						01-478 3377
Holborn LinkLine 0800 010345						

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Smith & Williamson Unit Tst Mgrs (1800)F						
1 Riding House St, London W1A 3AS						01-637 5377
S & W American	5	153.4	156 3	164 3	1 60	41390
S & W Far Eastern	5	102 4	103 5	109 4	0 00	—
S & W Growth	5	95.14	96 58	102.1	1 88	41391
S & W Income	5	97 70	100 1	105 9	5 01	41392
S & W Smllr Secs	5	259.4	267.9xd	283 5	1.20	41393
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth						0202 298422
Centre Prfrnce	5½	49 77	50 48	53 76	9 07	46875
Income	5½	44.58	45 28xd	48.43	7 08	41394

2

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ◆ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Far Eastern	226.5	238.6	—	42163
Nth American	108.3	114.1	—	42164
Fixed Interest	129.7	136.6	—	42165
Index Linked Stks	138.5	145.9	—	42166
Money	115.8	122.0	—	42167
Pen Managed	202.0	212.7	—	42168
Pen World Growth	123.7	130.3	—	42169
Pen UK Equity	265.0	279.0	—	42170
Pen UK Small Cos	237.4	250.0	—	42171
Pen European	105.4	111.1	—	42172
Pen Far Eastern	289.4	304.7	—	42173
Pen Nth American	103.4	108.9	—	42174
Pen Fixed Interest	146.2	153.9	—	42175
Pen Index Lnkd Stks	145.5	153.3	—	42176
Pen Money	130.4	137.4	—	42177

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 221 311

Secure Fund	121.0	127.4	—	42178
Blue Chip Fund	160.9	169.4	—	42179
Performance Fund	179.7	189.2	—	42180
Adventurous Fund	175.6	184.9	—	42181
Pensions Secure	119.7	126.0	—	42182
Pensions Blue Chip	129.7	136.6	—	42183
Pensions Performance	118.1	124.4	—	42184
Pensions Adventurous	119.4	125.7	—	42185
Pensions With Profits	124.3	130.8	—	42186

Eagle Star Insur./Midland Assur.
60 St. Mary Axe, London EC3 01-929 1111

Eagle/Mid. Units	191.6	198.5	4.13	42187

Economic Insurance Company Ltd
London Rd, Sittingbourne, ME10 1PE 0795 24321

Managed	108.3	114.0	—	42188
Fixed Interest	100.0	105.3	—	42189
Equity	113.1	119.1	—	42190
Overseas Equity	95.6	100.7	—	42191
Money	106.2	111.8	—	42192
Pens Managed	110.8	116.7	—	42193
Pens Fixed Interest	106.9	112.6	—	42194
Pens Equity	115.6	121.7	—	42195
Pens Overseas Equity	96.2	101.3	—	42196
Pens Money	114.0	120.1	—	42197

Edinburgh Money Management Ltd
45 Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

Select Portfolio	56.4	59.4	—	—

Equitable Life Assurance Society
Walton St, Aylesbury Bucks HP21 7QW 0296 393100

European	98.1	103.3	—	42198
Far Eastern	262.8	276.6	—	42199
Fd of Inv Tsts	207.9	218.8	—	42200
Gilt & Fixed Int	135.9	143.1	—	42201
High Income	231.1	243.3	—	42202
Intnl Growth	134.9	142.0	—	42203
Managed	171.3	180.3	—	42204

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	120 0	127 0	–	43285
Building Soc. Fd	170 0	179 0	–	43286
Balanced	283 0	298 0	–	43287
European	162.0	171.0	–	43289
GT Managed	172 0	179 0	–	43290
Gartmore Mngd	115.0	122.0	–	43291
German	112 0	118 0	–	43292
Gilt	182.0	192.0	–	43293
Global	48 0	51 0	–	–
High Inc.	119 0	126 0	–	43294
International Equity	199 0	199 0	–	43295
Japan	250 0	264 0	–	43296
Managed	64.0	68 0	–	43297
Property	279 0	294.0	–	43298
R W Imperial Gold	142 0	150.0	–	43299
UK Equity	382.0	403 0	–	43300
Pension Funds				
American	145.0	153.0	–	43301
Building Soc. Fd	172.0	179 0	–	43302
Balanced	214.0	226 0	–	43303
European	159 0	168 0	–	43305
German	102 0	108 0	–	43308
Gilt	152.0	160.0	–	43309
International Equity	139 0	147 0	–	43310
Japan	138 0	146 0	–	43311
Managed	64 0	68 0	–	43312
Property	215 0	227 0	–	43313
UK Equity	342.0	360 0	–	43314

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Balanced Gwth Magd	586 1	617.6	–	43315
Adventurous Mngd	124 1	130.8	–	46402
Secure Magd	106.8	112.6	–	46403
Cash Fd	231 7	244 2	–	43316

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

JERSEY (**)

[illegible]

GUERNSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
1,400	Treas 10½pc 1989	99[illegible]xd	12.59	8.5	14Dec 14Jun	1287
2,480	Exch. 10pc 1989	99[illegible]	12.39	28.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99[illegible]	12.27	20.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	97[illegible]	10.01	9.3	15Apr 15Oct	1329
174	Exch 10¼pcCv '89	99[illegible]	11.06	10.4	15May 15Nov	1256
1,000	Treas 13pc 1990‡‡	100[illegible]	11.89	9.12	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	99[illegible]	11.84	6.1	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	100[illegible]	11.93	13.2	22Sep 22Mar	1262
550	Treas. 3pc 1990	94[illegible]xd	9.69	3.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	96[illegible]xd	11.61	9.5	15Dec 15Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	96[illegible]	11.04	12.12	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	97[illegible]	11.72	20.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	90[illegible]xd	9.18	17.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	100[illegible]	11.52	5.12	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	92	10.56	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	88[illegible]	9.27	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	97[illegible]	11.27	6.12	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	99¼	11.35	20.3	25Apr 25Oct	1258
1,950	Treas. 8pc 1991	92[illegible]xd	11.26	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	103[illegible]	10.98	16.12	22Jul 22Jan	1297
1,600	Treas 10pc 1992	97[illegible]	11.02	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	92[illegible]	11.01	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98¼	10.98	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	84½xd	8.97	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	103[illegible]	10.99	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	107[illegible]	10.90	13.2	22Mar 22Sep	1266
950	Treas 8¾pc 1993	92[illegible]	10.75	17.1	18Aug 18Feb	—
1,850	Treas 10pc 1993‡‡	98[illegible]	10.61	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	105[illegible]	10.71	8.12	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	86[illegible]	10.06	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	118[illegible]xd	10.66	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	92¼	10.63	28.12	3Aug 3Feb	—
600	Treas 14½pc 1994‡‡	114¾	10.47	23.1	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	110[illegible]	10.68	21.3	27Oct 27Apr	1267
	Five to Fifteen Years					
1,400	Treas. 10pc Ln. 1994‡‡	98[illegible]xd	10.48	3.5	9Dec 9Jun	1284
1,550	Exch. 12¼pc 1994	107[illegible]	10.67	16.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	94[illegible]xd	10.44	10.4	17May 17Nov	1345
2,350	Treas 12pc 1995	105¼	10.62	19.12	25Jul 25Jan	1294
229	Exch 3pc Gas 90-95	76	8.15	28.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	98[illegible]	10.51	15.12	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	110[illegible]	10.48	10.4	15May 15Nov	1298

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988-92	87½	12.00	1.12	1Jan 1Jul	—
—	S Rhod 2½pc Non-Asstd.	206	—	—	1Apr 1Oct	—
4	Do. 4½pc 87-92 Asstd.	64½xd	9.33	9.1	7Feb 7Aug	—

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 8[illegible]pc 30.5.89	99[illegible]	13.23	24.10	30May 23Nov	—
20	Do. 9[illegible]pc 26.6.89	99[illegible]	12.95	21.11	26June 20Dec	—
20	Do. 10[illegible]pc 17.7.89	99[illegible]	13.08	12.12	11Jan 17Jly	—
20	Do. 11[illegible]pc 7.8.89	99[illegible]	13.13	3.1	1Feb 7Aug	—
20	Do. 11[illegible]pc 29.8.89	99½	13.12	—	2Feb 29Aug	—
20	Do. 12¼pc 18.9.89	99[illegible]	13.16	10.2	12Mar 18Sep	—
20	Do. 12[illegible]pc 2.10.89	99[illegible]	13.15	27.2	26Mar 2Oct	—
20	Do. 11[illegible]pc 6.11.89	99[illegible]xd	13.16	31.3	30Apr 6Nov	—
20	Do. 12[illegible]pc 4.12.89	99[illegible]	13.19	28.4	28May 4Dec	—
20	Do. 12[illegible]pc 2.1.90	99[illegible]	13.20	—	2Jan 28Jun	—
20	Do. 12[illegible]pc 29.1.90	99½	13.17	9.2	29Jan 23Jly	—
—	Do. 12[illegible]pc 26.2.90	99[illegible]	13.15	—	26Feb 20Aug	—
60	Do. 3⅞pcIL Ln 2021	100½xd	4.45	23.1	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
3	Agric. Mt. 5pc '59-89	99[illegible]	—	1.12	1Jan 1July	1532
25	Met. Wtr. 3pc 'B'	46xd	10.41	1.2	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	40xd	3	7.50	1.2	1Feb 1Aug	2762
—	Do 4pc Mixed Ass.	40xd	2	5.00	3.4	1Apr 1Oct	2761
1	Hung '24 Ass.	80	2.75	3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	133[illegible]	15.00	10.90	27.10	31May 30Nov	—
30	Ireland 14½pc Ln 2016	124[illegible]xd	14.50	11.56	29.12	31Jan 31Jul	—
30	Ireland 9¾pc '91-96	94½xd	9.75	10.85	15.2	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
7,736.8	Abbott Laboratories$	34xd	$1.20	2.1	11.4	Fb My Ag Nv	1503
265.5	♦Allegheny & W 1c.	$11[illegible]	30c	3.4	—	—	—
1,834.1	Amax $1	15xd	40c	1.6	5.5	Mr Jn Se De	1581

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1 072.5	Dana Corp. $1	23½	$1 60	3.9	28.2	Mr Je Se De	2306
275 9	Data General	10	–	–	–	–	–
5 759 8	Dun & Bradstreet $1	31	$2.00	3.8	13 2	Mr Je Sp Dc	–
1 491.0	Eaton Corpn. 50c	34⅞xd	$2 00	3.3	1 2	F My Au N	2410
593.9	Echlin Inc.	10xd	70c	4.1	3.4	JanAprJulOct	–
2,437 9	FPL Group 1c	18⅛xd	$2 20	7.0	23.11	MrJnSepDec	–
14,833 1	Ford Motor $1	28⅛	$3 00	6.2	27 4	Mar Jun S D	2615
658.9	GATX 62½c	35¼	$2.00	3 3	7.3	Mar Jun S D	2662
25,144 6	Gen Elect. 63c	28⅞xd	$1.64	3 4	2.3	Ja Ap Jly O	2675
–	General Host Corp $1	534p	28c	3 1	13 12	–	–
2,717 2	Gillette $1	23⅞	96c	2.4	27.1	Mar Jun S D	2695
244 0	Gt Am First Svgs Bk $1	744p	60c	4 7	28 10	Fb My Aug Nv	–
699 8	Greyhound $1½	18¼	$1.32	4 3	28 2	Ja Ap Jy Oc	2778
574 4	Hasbro Inc 50c	10⅝xd	16c	0.9	2 5	Ja No Au My	–
330 4	Home Group $1	8⅞xd	20c	1.4	24.2	Jan Mar Jn Dc	2915
2,007 9	Honeywell $1½	45⅞	$2.10	2 7	28 2	Mar Jun S D	2919
2,008 2	Houston Inds $	17	$2.96	10 2	10 11	Mr Je Se De	–
39,256 3	IBM Corpn $1¼	65⅛xd	$4.84	4.3	5.5	Mar Jun S D	2986
0 95	Insure Storage'R Sys.1c	45p	–	–	–	–	2961
1 266 4	Ingersoll-Rand $2.	24xd	$1.04	2 5	13.2	Mar Jun S D	2979
1,869 7	Lockheed Crpn $1	28½xd	$1 60	3 3	15.2	Mar Jun S D	–
296 0	Lone Star Inds $1.	17⅞xd	$1.90	6.2	1.3	May Au N Mar	3216
643 7	Louisiana Land 15c.	20⅛xd	$1 00	2.8	28 11	Mar Jun S D	3222
579 6	Lowe's 50c.	14⅝	48c	1.9	9.1	Jan Ap Jly Oc	–
966 3	Manuf Hanover $1.	20⅛	$3 28	9 5	26 6	Jan Ap Jly Oc	3279
1,789 2	Merrill Lynch $1	16⅞	$1 00	3.4	31.10	Feb My Au N	3351
515 6	Molex Inc	2032p	3 2c	–	–	–	3397
3 904 7	Morgan (JP) $2½	21⅝xd	$1 66	4 5	21 12	Jan Ap Jly O	3418
9,294 9	NYNEX $1	43⅞	$4 04	5.4	27.6	F May Au N	–
364 5	PHH Corp. $	21⅛	$1 12	3.0	4.4	Ja Ap Jy Oct	–
–	Pacific Agr.	243p	–	–	–	–	–
1,556 7	Pacificorp $3¼	22⅞	$2 64	6.9	19 4	Feb My Ag Nv	–
10 038 3	Pacific Telesis 10c	23⅛	$1 88	4 7	12 85	Fe My Au No	–
689 1	Pall Corp 25c	18⅝	48c	1.5	24.1	Fe My Au No	–
2,065 0	Pennzoil 83 1/3c.	50⅞xd	$3 00	3.5	2.5	Mar Jun S D	3630
776 3	Premark Intl	22½	60c	1 6	17.3	Jan Ap Jl Oc	3710
2,711 4	Quaker Oats $5	33⅞xd	$1.20	2.1	20 3	Jly Oc Jan Apr	3738
645 6	Rep NY Corpn $5	25⅞	$1 28	2.9	10.3	Jan Apr Jly O	3814

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

For Oil Group see Recent Issues

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

1.25	Scott Pickford 10p ..y	16	3	1.2	23.0	–
9.10	Seacon Hldgs. .... y	131	2.5	2.5	3.4	Oct May 3968
1.25	Sonic Tape 2½p....y	10	–	–	–	– 5152
2.49	Staks Hldgs. 5p. .. y	9	–	–	–	– 4625
3.92	Swanyard Studios 1p y	2¼	–	–	–	– 4666
47 0	Takare ....y	538	1.0	0.2	25.4	– 4647
6 27	Tomorrows Leisure 20p y	56	–	–	–	– 4248
15 0	Tullow Oil 10p . . y	15	–	–	24.2	– 4886
4.03	UPL Group 10p.....y	100	2.75	3.7	28.11	Dec. June 4362
6.97	Unit Group..... .... y	135	F7.5	7.4	28.11	Jan July 4357
7.02	Vista Ents 5p ... .. y	13¼	–	–	–	– 3994
20.3	Vizcaya Hldgs 5p.. y	38	–	–	–	– 4193
39.3	Whitegate Leisure 20p. y	33½	–	–	–	– 1105
1.27	Do. Wrrnts......... y	19	–	–	–	– 1116
29 0	Wilton Group 1p. y	8¼	–	–	–	– 3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ψ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	98xd	......
Craig & Rose £1.. y	720	......
Finlay Pkg. 5p.... y	91	......
Holt (Jos) 25p.... y	1313xd	......

IRISH

Cap. 8½% Ln. 1991....	£98	–¼
9pc Cap Ln 1996..	£97¾	......
Fin 13% 97/02...	£118	......
Arnotts................	450	+5
Carrol (P.J.)....... y	154	–3
Hall (R. & H.)......	155	–3
Helton Hldgs....... y	81xd	......
Irish Ropes...........	201	–1

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	36
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
De. Int. Certs.	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	65
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Central banks may yet carry the day

SPECULATORS and central banks are fighting a battle over the dollar and at the end of trading on Friday it was the central banks that retreated to regroup, as speculators caroused around the field having survived a near rout.

The success of the speculators went some way short of driving the central banks from the field, but it left the US Federal Reserve, West German Bundesbank and their allies to think again.

Mr Nick Parsons at Union Discount in London believes the central banks' battle plan is fairly obvious. It sets out to achieve the greatest possible advantage from the least effort. He suggests that the monetary authorities were setting a trap for unwary speculators early last week by letting the market run up long dollar positions without intervening. The trap was sprung on Friday, when April US producer prices were lower than expected and the dollar had already turned weak.

Mr Parsons thinks that the producer price index figure was known to central banks prior to publication. This was the reason Friday was chosen as the most favourable day to spring the trap, when the market would react with disappointment and start falling.

In retrospect, it arrears the trap was not dug deep enough, and the speculators climbed out to turn the battle in their direction. This poses the question as to whether the dollar would have climbed back to DM1.92 on Friday night if the central banks had not intervened? In other words, were the central banks pushing dollars out into the market at levels which the market simply regarded as ever more attractive?

The central banks may not yet have won the battle, but Mr Parson's suggests the outcome is inevitable. But, it must be said, there is a fundamental difference of opinion among economists on where the dollar goes from here.

Mr Mark Brett at Barclays de Zoete Wedd claims the long term charts remain very bullish, with DM2.00 as a target if last year's trading high of DM1.9230 is broken. He believes the dollar's strength is based on three factors. One is political, involving concern about government stability in Japan and West Germany. Another is economic, and reflects a shortage of credit in the US when Japan, Germany and the UK have excess liquidity to varying degrees. Lastly, according to Mr Brett, US corporate investors did not hedge currency risks on D-Mark income, because they did not believe DM1.90 would be broken, and they are now forced to cover.

The other side of the argument put forward by Mr Mark Cliffe at Nomura Research Institute is that progress towards adjustment of trade deficits is too slow and must be accelerated by a weaker dollar. Mr Parson's agrees and suggests there is a substantial risk the dollar will be below its present 12-month forward rate of DM1.8675 in a year's time. He adds that those arguing to buy dollars above DM1.90 are likely to be the same who said sell at DM1.60.

The central banks want to keep the dollar within a fairly narrow range and may succeed if only because they have so many advantages. If central banks were commercial organisations trading equities, they would very quickly be prosecuted for insider trading. They are also allowed total secrecy over day-to-day operations and (the Bundesbank apart) they do not publish accounts.

It is known from the Bundesbank's accounts that the West German central bank makes very large profits on its currency trading, and there is no reason to believe other central banks are not equally successful in the market. This suggests they will eventually carry the day.

Colin Millham

£ IN NEW YORK

May 12	Close	Previous Close
£ Spot	1.6610-1.6620	1.6655-1.6665
1 month	0.40-0.38pm	0.39-0.37pm
3 months	1.27-1.24pm	1.20-1.17pm
12 months	4.60-4.50pm	4.20-4.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.12	Previous
8.30 am	95.1	95.0
9.00 am	95.1	95.0
10.00 am	95.1	95.0
11.00 am	95.2	95.0
Noon	95.1	95.0
1.00 pm	95.1	95.0
2.00 pm	95.3	95.0
3.00 pm	95.3	95.0
4.00 pm	95.2	95.1

CURRENCY RATES

May.12	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.769744	0.653279
U.S Dollar	7	1.28147	1.08640
Canadian $	12.39	1.52059	1.29086
Austrian Sch.	5	17.2332	14.6523
Belgian Franc	7.75	51.3133	43.5919
Danish Krone	7½	9.52260	8.10782
Deutsche Mark	4.50	2.45273	2.08263
Neth.Guilder	5.50	2.76349	2.34739
French Franc	9½	8.28150	7.04043
Italian Lira	13½	1787.20	1517.70
Japanese Yen	2½	172.422	147.664
Norway Krone	8	8.85752	7.53529
Spanish Peseta	-	N/A	130.151
Swedish Krona	9½	8.27894	7.04858
Swiss Franc	4.5	2.18747	1.85992
Greek Drach.	20½	208.366	177.236
Irish Punt	-	0.917364	0.779342

*All SDR rates are for May.11

CURRENCY MOVEMENTS

May.12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.2	-16.2
U.S Dollar	69.3	-8.7
Canadian Dollar	103.5	+0.3
Austrian Schilling	106.6	+9.8
Belgian Franc	105.7	-6.6
Danish Krone	102.8	-2.1
Deutsche Mark	112.5	+20.2
Swiss Franc	102.8	+12.1
Guilder	109.9	+12.9
French Franc	99.4	-15.3
Lira	98.0	-19.8
Yen	144.9	+76.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for May.11 .

OTHER CURRENCIES

May.12	£	$
Argentina	164 050 - 164 315	97.9000 - 98.0000
Australia	2.1320 - 2.1340	1.2600 - 1.2610
Brazil	1.7090 - 1.7180	1.0200 - 1.0250
Finland	7.0655 - 7.1030	4.2480 - 4.2500
Greece	268.85 - 273.35	161.85 - 164.45
Hong Kong	12.9910 - 13.0040	7.7750 - 7.7770
Iran	120.90*	71.20*
Korea(Sth)	1111.40 - 1120.35	663.70 - 669.10
Kuwait	0.48530 - 0.48630	0.29200 - 0.29250
Luxembourg	66.50 - 66.60	40.05 - 40.15
Malaysia	4.4865 - 4.5060	2.6910 - 2.6930
Mexico	4093.70 - 4102.90	2443.00 - 2447.00
N. Zealand	2.6920 - 2.6970	1.6120 - 1.6145
Saudi Ar.	6.2315 - 6.2360	3.7490 - 3.7500
Singapore	3.2580 - 3.2685	1.9510 - 1.9530
S. Af (Cm)	4.3425 - 4.3620	2.5950 - 2.6000
S. Af (Fn)	6.8755 - 7.0200	4.1150 - 4.2015
Taiwan	42.85 - 42.95	25.65 - 25.70
U.A.E.	6.1035 - 6.1075	3.6725 - 3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

May.12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12½-12⅜	12½-12¼	12¾-12⅝	12 13/16-12 11/16	12 13/16-12 11/16	12⅞-12¾
US Dollar	9 11/16-9 9/16	9¾-9⅝	9 13/16-9⅝	9 13/16-9⅝	9 13/16-9⅝	9¾-9⅝
Can. Dollar	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12 1/16-11 13/16	12-11¾
D Guilder	6 13/16-6 11/16	6 13/16-6 11/16	7 1/16-6 13/16	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛
Sw. Franc	6⅞-6⅝	7⅛-6⅞	7 3/16-7 1/16	7 3/16-7 1/16	7 3/16-7 1/16	7 3/16-7 1/16
Deutschmark	5⅞-5⅝	6⅛-6⅛	6 5/16-6 3/16	6⅝-6½	7-6⅞	7⅛-7
Fr Franc	8⅜-8⅛	8⅜-8¼	8⅝-8½	8 13/16-8 11/16	8⅞-8¾	9-8⅞
Italian Lire	11-9	11½-10½	11⅞-11⅜	11⅞-11⅜	11⅞-11½	12¼-11⅞
B. Fr. (Fin)	7⅞-7⅝	8-7⅞	8 5/16-8 3/16	8⅜-8¼	8½-8⅜	8½-8⅜
B. Fr. (Con.)	8-7⅞	8¼-7⅞	8⅛-8	8½-8⅛	8½-8⅜	8⅝-8⅜
Yen	4⅝-4⅛	4½-4⅜	4 11/16-4 9/16	4 13/16-4 11/16	5 1/16-4 15/16	5 5/16-5 3/16
D Krone	8⅝-8½	8¾-8⅝	8 13/16-8¾	9 3/16-9 1/16	9¼-9⅛	9½-9⅜
Asian $Sing	9¾-9⅝	9⅞-9¾	9 13/16-9 11/16	9 13/16-9 11/16	10-9⅞	10 1/16-9 15/16

Long term Eurodollars: two years 9 11/16-9 9/16 per cent; three years 9 11/16-9 9/16 per cent; four years 9 11/16-9 9/16 per cent; five years 9 11/16-9 9/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 12	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.660	3.185	225.5	10.77	2.850	3.590	2320	1.975	66.55
$	0.602	1	1.919	135.8	6.488	1.717	2.163	1398	1.190	40.09
DM	0.314	0.521	1	70.80	3.381	0.895	1.127	728.4	0.620	20.89
YEN	4.435	7.361	14.12	1000.	47.76	12.64	15.92	10288	8.758	295.1
F Fr.	0.929	1.541	2.957	209.4	10.	2.646	3.333	2154	1.834	61.79
S Fr.	0.351	0.582	1.118	79.12	3.779	1	1.260	814.0	0.693	23.35
H FL.	0.279	0.462	0.887	62.81	3.000	0.794	1	646.2	0.550	18.54
Lira	0.431	0.716	1.373	97.20	4.642	1.228	1.547	1000.	0.851	28.69
C $	0.506	0.841	1.613	114.2	5.453	1.443	1.818	1175	1	33.70
B Fr.	1.503	2.494	4.786	338.8	16.18	4.282	5.394	3486	2.968	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND SPOT- FORWARD AGAINST THE POUND

May.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6590 - 1.6820	1.6590 - 1.6600	0.39-0.37cpm	2.75	1.26-1.22pm	2.99
Canada	1.9710 - 1.9890	1.9745 - 1.9755	0.09pm-0.01cdis	0.24	0.41-0.25pm	0.66
Netherlands	3.58 - 3.59¾	3.58½ - 3.59½	1⅞-1⅝cpm	5.84	5-4⅞pm	5.43
Belgium	66.50 - 66.90	66.50 - 66.60	29-25cpm	4.87	70-55pm	3.76
Denmark	12.38 - 12.41¾	12.38 - 12.39	5-3⅞orepm	4.30	12-11pm	3.71
Ireland, W. Germany, Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is convertible francs. Financial franc [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible]

MONEY MARKETS

Looking to New York but not Frankfurt

LONDON TOOK a relaxed view of the outlook for interest rates last Friday as an unexpectedly small rise of 0.4 per cent in April US producer prices led to speculation about an easing of the Federal Reserve's monetary policy. Other US economic news, including the recent announcement of a surprisingly small gain of 0.4 per cent in April retail sales, suggest the US economy is slowing.

UK clearing bank base lending rate
13 per cent
from November 25

The Federal Open Market Committee meets tomorrow and although the Fed may wish to wait for more conclusive evidence, the market will then begin to look for any sign of an easier policy and a fall in US interest rates. Against this background three-month sterling interbank was offered at 12⅞ per cent at the London close on Friday, compared with 13 per cent in the early morning.

This indicates the market is looking in only one direction however, and has not fully considered the implications of a possible rise in key West German rates at Thursday's meeting of the Bundesbank council.

The Bundesbank tightened credit conditions in Frankfurt at last week's securities repurchase agreement tender, and a rise in the German discount or Lombard rates would not be a total surprise this week. It will almost certainly force similar moves from other European central banks and if sterling comes under pressure will the UK authorities stand aside?

A rise in European interest rates could also be another weapon the central banks are about to use in the fight against a rising dollar.

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	Fri May 12 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	Thu May 11 US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1988 Low	Year ago (approx)
Australia (89)	139.10	-3.7	124.27	116.62	+3.6	4.78	136.84	121.81	115.00	157.12	128.28	120.30
Austria (19)	123.54	+28.8	110.37	122.04	+37.7	2.11	123.03	109.52	122.19	124.16	92.84	90.38
Belgium (63)	132.92	-1.6	118.75	131.61	+5.8	4.13	132.33	117.79	131.18	137.10	128.52	125.89
Canada (126)	136.51	+8.7	121.96	117.34	+8.1	3.35	135.08	120.24	116.10	137.27	124.67	118.90
Denmark (38)	180.60	+8.0	161.35	183.30	+15.3	1.83	179.98	160.21	182.24	181.03	165.35	121.61
Finland (26)	150.08	+14.7	134.08	133.83	+17.1	1.56	149.45	133.03	133.64	159.16	125.81	128.58
France (130)	117.86	+2.4	105.29	119.98	+9.8	3.13	116.85	104.01	118.59	122.79	112.57	88.38
West Germany (100)	83.47	-5.1	74.57	83.27	+2.7	2.41	84.45	75.18	84.01	90.40	81.77	73.10
Hong Kong (48)	139.34	+24.6	124.48	139.11	+24.1	3.88	139.63	124.30	139.44	139.63	111.80	100.72
Ireland (17)	145.46	+10.4	129.95	146.77	+18.9	2.87	145.37	129.40	146.51	151.36	125.00	122.41
Italy (98)	78.94	-7.3	70.53	82.42	-0.7	2.57	79.57	70.84	82.90	86.88	78.16	72.42
Japan (455)	187.66	-2.0	167.66	161.21	+6.5	0.47	190.24	169.35	162.58	200.11	180.30	173.51
Malaysia (36)	181.84	+28.7	162.45	188.52	+25.9	2.53	182.43	162.39	189.24	182.70	143.35	130.46
Mexico (13)	178.40	+10.2	159.38	476.91	+17.8	1.06	178.25	158.68	476.80	182.88	153.32	133.23
Netherland (42)	116.62	+3.7	104.18	115.15	+12.1	4.48	117.73	104.80	115.85	122.22	110.63	104.33
New Zealand (24)	71.76	+6.1	64.11	61.47	+7.9	5.96	71.48	63.63	61.15	76.02	66.84	77.68
Norway (26)	184.79	+33.0	165.09	173.38	+40.0	1.54	181.83	161.86	170.79	198.39	139.92	116.44
Singapore (26)	157.32	+25.8	140.55	141.52	+26.3	1.91	157.10	139.84	141.68	158.22	124.57	112.80
South Africa (60)	137.45	+17.6	122.80	124.93	+27.2	4.15	135.98	121.05	125.16	144.86	115.35	122.81
Spain (43)	152.65	+2.9	136.38	138.20	+8.5	3.62	152.96	136.16	137.90	156.17	143.14	147.84
Sweden (35)	156.78	+8.4	140.07	150.75	+15.0	2.28	156.58	139.38	150.03	162.00	138.45	120.65
Switzerland (57)	71.80	-8.0	64.15	76.45	+5.1	2.43	72.22	64.28	76.36	79.76	71.80	75.84
United Kingdom (315)	146.91	+8.6	131.25	131.25	+16.3	4.33	145.86	129.84	129.84	153.33	134.53	139.78
USA (559)	127.78	+12.9	114.15	127.78	+12.9	3.54	125.07	111.33	125.07	127.78	112.13	104.50
Europe (1009)	118.23	+3.1	105.63	112.43	+11.8	3.59	118.06	105.09	111.90	121.70	114.02	107.44
Nordic (125)	153.94	+10.2	137.53	144.65	+17.4	1.97	153.34	136.50	143.82	155.61	137.95	112.44
Pacific Basin (679)	183.56	-1.5	163.99	158.12	+6.8	0.69	185.86	165.45	159.33	194.72	176.37	168.57
Euro-Pacific (1688)	157.44	-0.1	140.66	139.92	+8.3	1.58	158.74	141.30	140.46	164.22	152.83	144.12
North America (685)	128.21	+12.6	114.54	127.13	+12.6	3.53	125.57	111.78	124.52	128.21	112.79	105.27
Europe Ex. UK (694)	100.47	-1.1	89.76	100.77	+6.8	2.98	100.80	89.73	100.80	105.29	98.84	87.46
Pacific Ex. Japan (224)	134.24	+7.8	119.93	119.16	+11.7	4.26	133.24	118.61	118.44	137.65	123.48	109.09
World Ex. US (1887)	156.53	+0.2	139.84	139.15	+8.4	1.65	157.70	140.38	139.63	162.77	152.04	143.03
World Ex. UK (2131)	145.03	+3.5	129.57	135.68	+9.0	2.04	144.88	128.97	135.17	146.04	138.06	127.04
World Ex. So. Af. (2386)	145.23	+3.9	129.75	135.32	+9.7	2.24	145.01	129.08	134.73	146.65	138.82	128.20
World Ex. Japan (1991)	124.90	+8.9	111.59	121.83	+12.4	3.59	123.27	109.73	120.12	124.90	114.51	106.40
The World Index (2446)	145.18	+4.0	129.70	135.25	+9.8	2.25	144.95	129.03	134.66	146.51	138.83	128.17

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent changes: (12/5/89) Insert: Repsol (Spain). Deletions: Montreal Trustco (Canada) and Texas Eastern (US).

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 52,443

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

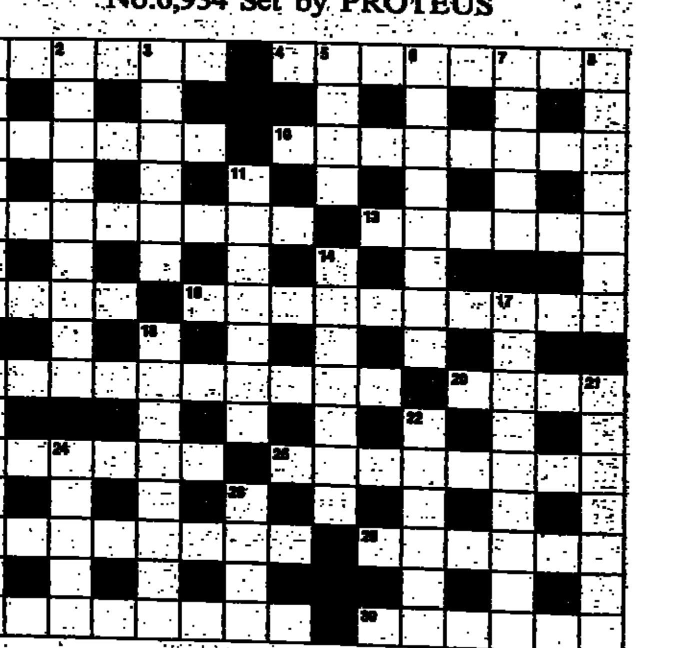
RIGHTS OFFERS

[illegible]

JOTTER PAD

CROSSWORD

No.6,934 Set by PROTEUS



ACROSS
1 Train at Academy (6)
4 Downgrading protest march into riot (8)
9 Guide-dog (6)
10 Increase deriving from personal influence (8)
12 24 nod off in town perhaps (3,5)
13 Swift bird everyone backed at outset? (6)
15 Ham and wine (4)
16 Making a hit with the opposite sex on disembarking (7,3)
19 Do big trees flourish here? Not likely! (4,6)
20 Bound, to be part of male appeal (4)
23 Bird securing very large victim (6)
25 Elegant society girl doing a broadcast (8)
27 Underwear found in heather by lake (8)
28 Stay indefinitely in Army team? (6)
29 Recital by uncle for example (8)
30 Attacked when drunk (6)

DOWN
1 Increase length of prison sentence (7)
2 Victorian transport over bacon and mash? (6,3)
3 King pinning decoration on US president (6)
5 Bird discovered in another nest (4)
6 Subtle additional meaning conveyed by public person (8)
7 Perfect fish to a beginner (5)
8 Rather less (or more) than 50% (3,4)
11 Go back or the opposite (7)
14 He may have been shocked to see man with pistol (7)
17 Musical drama turning into surgical performance (9)
18 Follower having to stick to book (8)
19 Angry dog in vehicle (7)
21 Give warning about wine running out? (7)
22 Demure way to follow fashion (6)
24 God upsetting the French jury (5)
26 Queen who accomplished nothing (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 27.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

SWITZERLAND

NORWAY

SPAIN

SWEDEN

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. (c) Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices May 12

MONTREAL
Closing prices May 12

AMEX COMPOSITE PRICES

4pm prices May 12

INDICES

NEW YORK DOW JONES

	May 12	May 11	May 10	May 9	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2439.70	2382.88	2374.45	2371.33	2439.70 (12/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.99	88.47	88.40	88.61	89.62 (8/2)	87.35 (23/3)	–	–
Transport	1133.73	1117.08	1112.06	1116.43	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	196.01	191.68	191.74	192.09	196.01 (12/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2447.95 (2447.95) Low 2408.54 (2365.84)

STANDARD AND POOR'S	May 12	May 11	May 10	May 9	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	313.84	306.95	305.81	305.19	313.84 (12/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	360.88	353.48	352.15	351.35	360.88 (21/4)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.98	28.18	28.10	28.01	28.98 (12/5)	24.30 (3/1)	32.45 (25/8/87)	8.64 (1/10/74)
NYSE Composite	175.13	171.71	171.13	170.80	175.13 (12/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	348.30	345.62	344.80	345.09	348.30 (12/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	434.83	430.63	429.64	428.97	434.83 (12/5)	378.56 (3/1)	455.26 (26/8/87)	54.87 (31/10/72)

	May 5	Apr 28	Apr 21	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.45	3.46	3.54
	May 10	May 3	Apr 26	year ago (approx.)
S & P Industrial div. yield	3.12	3.08	3.08	2.94
S & P Indl. P/E ratio	13.54	13.64	13.60	15.35

TRADING ACTIVITY † Volume

Millions	May 12	May 11	May 10
New York	221.490	156.011	146.600
Amex	13.903	9.255	10.552
OTC	166.354	144.989	129.661

NEW YORK	May 12	May 11	May 10
Issues Traded	1,975	1,934	2,790
Rises	1,214	775	659
Falls	353	610	715
Unchanged	408	549	1,216
New Highs	172	58	85
New Lows	16	12	44

CANADA

TORONTO	May 12	May 11	May 10	May 9	1989 High	1989 Low
Metals & Minerals	3430.1	3348.6	3332.1	3309.5	3564.9 (6/2)	3207.5 (3/1)
Composite	3638.8	3592.2	3575.1	3568.9	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1862.22	1834.17	1823.53	1819.01	1862.22 (12/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Gen Electric	3,979,800	51	+ 2
AT&T	3,025,000	34	+ ½
East Kodak	2,288,300	42⅝	– ⅝
Repsol	1,976,800	17⅛	– ⅛
Aron Prod (ad)	1,916,400	39⅞	+ ½
Storage Tech	1,841,900	1½	—
Motorola	1,817,500	50¾	+ 2⅛
Con Ed	1,766,100	47⅞	+ 1½
Exxon	1,742,500	43⅛	+ 1⅛
Amer Expr	1,730,300	34	+ 2¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 12	May 11	May 10	May 9	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1537.1	1515.6	1502.9	1501.8	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	684.7	676.0	673.8	674.7	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	320.48	319.82	320.23	318.66	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6005.80	5997.36	5980.58	5970.67	6005.80 (12/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	309.55	308.88	308.97	308.52	309.55 (12/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	795.8	792.7	795.5	797.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	460.9	461.4	463.0	464.2	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	109.6	108.6	108.9	109.3	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	567.60	575.88	575.89	576.26	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1684.7	1709.0	1711.3	1712.0	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1347.84	1358.79	1365.78	1366.2	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3278.43	3285.10	3220.98	3262.25	3285.10 (11/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.40	606.63	608.32	606.18	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33866.33	34081.49	33992.35	34031.8	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2518.64	2537.99	2535.08	2538.23	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tsl.Rtn.Gen. (End 1983)	239.2	237.8	237.5	239.3	240.1 (5/5)	208.3 (3/1)
CBS All Shr (End 1983)	186.8	187.8	187.7	189.1	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	655.75	629.56	638.37	644.43	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1285.07	1287.32	1280.67	1280.57	1287.32 (11/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1490.0§	1479.0	1463.0	1445.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2522.0§	2522.0	2514.0	2521.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	303.00	303.25	303.57	303.76	303.76 (9/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3901.4	3887.2	3877.3	3879.2	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	675.9	675.5	676.4	675.9	686.0 (28/4)	613.1 (5/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	512.1	512.5	511.4	519.0 (17/2)	491.2 (28/3)

§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Friday 12 May 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	37.3m	955	-9
Sato Kogyo	17.3m	2,740	+60
Kawasaki Steel	14.9m	1,060	-20
Toshiba	14.4m	1,290	-10
Dainippon Ink	14.2m	976	-18
Kawasaki Heavy Ind	13.0m	1,070	-10
Mitsui Eng & Ship	11.4m	858	-17
Mitsubishi Metal	11.3m	1,260	-10
Daiichi Chuo Kisen	10.8m	1,030	-10
Hitachi Zosen	10.9m	882	+13

4pm prices May 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
29⅞	21⅛	AAR	.44	1.5	19	136	29¼	28¾	29	+ ⅜
10⅛	8⅞	ACM n	1.01	12.		134	8⅞	8¾	8⅞	
11⅞	10¼	ACMIn	1.28a	12.		457	10⅝	10½	10⅝	
10⅛	8½	ACM M	n1.01	11.		490	9	8¾	8⅞	– ⅛
11½	10⅞	ACM Sc	1.26	12.		1273	10⅝	10½	10½	– ⅛
10⅛	8⅞	ACMSp	n1.01	11.		644	9	8¾	9	+ ⅛
4⅞	2⅝	AMCA	.12e	3.0	27	2956	4⅛	3⅞	4	– ⅛
6⅛	3½	AM Intl				6268	6⅛	5⅞	6	+ ⅛
23½	18⅛	AM Int pf	2	8.8		135	22⅝	22½	22⅝	+ ⅛
64⅛	39	AMR			8	7566	63⅞	61⅛	63⅞	+2¼
26⅜	25	ANR pf	2.67	11.		3	25	25	25	
24⅛	23	ANR pf	2.12	8.8		40	24	24	24	
9½	4⅛	ARX				101	4⅛	d 4	4	– ⅛
47	35¼	ASA	3a	7.3		420	41⅜	40¾	41	– ½
20⅞	14¾	AVX	.24	1.1	10	929	u21⅜	20¾	21¼	+ ⅞
66⅞	42⅞	AbtLab	1.40	2.4	17	5262	u58¾	57⅛	58⅞	+1½
19	15⅞	Abitibi g	1			161	17	17	17	– ⅛
12	7½	AcmeC	.40	3.9		29	10⅛	10¼	10⅛	+ ⅛
32⅛	20¼	Acuan			25	1108	u32⅛	31⅞	32¼	+ ⅝
16⅞	14¼	AdaEx	1.82e	12.		444	15⅛	14⅞	14⅞	
16⅞	7½	AMD				7426	9⅛	8⅝	9⅛	+ ½
43½	28¾	AMD pf	3	9.1		289	33	32⅞	32⅞	– ⅛
9⅛	6½	Adobe				1391	u 9½	9	9	– ⅛
21⅛	19⅞	Adob pf	2.40	12.		18	20½	20⅜	20½	+ ⅛
9⅛	5⅞	Advest	.12	1.7	17	326	7½	6¾	7	+ ⅛
54⅞	39½	AetnLf	2.76	5.2	9	1599	53	52¼	53	+1⅛
49	24	AhPb s	.22	.5		1360	48	47⅝	47⅞	+ ½
20	13⅞	Ahmans	.88	4.4	9	11516	u20⅛	19⅝	20	+ ⅛
4⅞	2⅞	Aileen			19	38	3½	3¼	3½	
53⅞	37⅛	AirPrd	1.20	2.9	10	4057	41⅞	41	41¼	+ ⅛
[illegible]										

Continued on Page 41

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
3¾	2	Zapata				495	3	2⅞	2⅞	− ⅛
28¾	18⅝	Zayre	.40a	1.4	195	10887	u29⅛	28	29⅛	+1⅛
15½	10½	Zemex	.40	3.5	128	4	11½	11½	11½	− ⅛
30	16½	ZenithE			969	3906	19½	19	19⅜	+ ⅜
10⅞	8⅞	Zenlac	1.26	13.		214	9½	9¼	9⅜	+ ⅛
2¾	1	vjZenLb				310	1⅞	1⅝	1⅝	− ¼
21⅜	15	ZenNtl	.80b	4.4	9	44	18⅜	18¼	18⅜	+ ⅛
19⅞	13¼	Zero	.44	2.3	18	294	19⅛	18⅝	19⅛	+ ⅜
29½	19	Zurn	.68	2.4	16	379	28⅝	28¼	28¾	+ ¼
11¼	10	Zweig	1.07e	9.8		1024	10⅞	10⅝	10⅞	+ ⅛
10⅛	8¾	ZweigT	n.24e	2.7		1486	9	8⅞	9	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading-day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 4pm prices May 12

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
ASW Bd		27	1094	u25¼	23½	24	− ½
ADC		11	40	13⅝	13¼	13½	+ ¼
ADT			3788	29⅛	28⅞	29	+ ⅝
AEP		11	97	u14⅞	14	14¼	+ ½
ALC h			538	4⅛	4⅛	4⅛	
ASK		15	217	14⅞	14⅝	14¾	+ ⅛
AST			74	8⅛	7⅞	8	+ ⅛
AcmeSt	.05e	7	44	25	24¾	25	
ActARt s	t	28	699	u20⅞	20	20½	+1
Actmed			364	14⅞	14⅞	14⅞	+ ¼
Acxiom		17	33	14⅛	13¾	13¾	− ½
AdacLb	.16	15	15220	u5 3-16	4⅞	5 3-16	+ 5-16
Adapt		43	1062	8½	8¼	8¼	
Admgin		15	894	35¼	34¾	35	+ ¼
AdiaSv	.14	14	71	23¼	22½	23	
AdobeS	s.08i	24	6083	27	26¼	26¾	+ ⅞
AdMkSv		15	274	14½	14¼	14¼	+ ¼
AdvPoly			34	7⅛	7½	7½	
AdvTel		17	187	16⅞	16½	16⅝	
Advanta			297	u 7⅞	7⅜	7½	+ ⅜
AdvoSy			2231	u 7⅛	6⅞	7⅜	+ ¼
AffBcCp	.52	6	20	7⅝	7½	7⅝	
AffSah			473	12⅛	11½	12	+ ⅜
AgncyR	t	21	3998	21	19⅞	20⅞	+1⅛
Agnico g	.20		314	8⅝	8⅜	8½	− ⅛
AirMd			76	5⅜	5⅛	5¼	+ ¼
AirWisc	t	11	1348	13¼	12¾	13¼	+ ¼
Airtran	.12	13	27	7	6⅞	6⅞	
AlcoHlt		18	13	24⅛	24¼	24¼	+ ½
Aldus		15	3708	19	18½	18¾	+ ¼
AlexBr	.16		868	11⅛	10⅞	11	− ⅛
AlexBl s	.80	8	909	38	37¼	37½	+ ¼
Alico	.20	33	117	38¼	37	37⅞	
AlegW		12	1268	8½	8⅜	8½	
AllPiel	t	22	4	37	37	37	+ ½
[illegible]							

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
DartGp	.13	7	8	95	91	93	+2
Dta IO		8	285	5⅞	5⅛	5⅞	+ ⅛
DtSwtch		81	511	5	4⅞	4⅞	
Datscp		13	1067	31	30½	30⅞	+ ⅛
Dauphn	1.36b	10	146	33½	33	33½	+ ½
DebShp	.20	17	376	14⅝	14⅜	14⅜	+ ⅛
DeklbE	.10i	19	561	24	23⅝	23¾	+ ¼
DklbGn		11	735	27¼	27	27	− ¼
Delchm	.36	15	92	23½	23	23½	+ ¼
DellCpt		9	1040	7½	7⅛	7¼	
DepGty	1.62	8	42	33¼	33	33¼	− ¼
Devon		13	10	17	16½	17	+ ¼
Diagnst		32	1026	7⅛	6⅞	7	+ ⅛
Dibrel s	.60	11	539	23¾	23	23⅜	+ ⅛
Diceon		18	266	9	8¾	9	+ ⅛
DigMic		34	1304	33	32¼	32¾	+ ¼
Dionex		15	1414	20¼	19½	19½	− ½
DixieYr	.68	12	x124	20	19¼	19½	+ ¼
DirGnl	.20	24	947	10⅝	10⅜	10½	+ ⅛
DomnT			1675	3⅝	2⅞	3½	+ ⅝
DomBk	.80	9	1341	20¼	20	20⅛	
DrchHu	.40	31	160	17	16¾	16¾	
DresB		19	780	15⅜	15¼	15⅜	
Drexlr		26	465	13¼	12⅝	12¾	− ¼
DreyGr		19	160	22	21½	21½	
DrgEm	.10a	20	721	26⅜	25⅝	25¾	− ¼
DunkDn	.40	19	9165	u41	39½	39⅞	+ ¼
Duramd			570	6½	5¾	6⅛	− ⅛
Durhm	.92	19	3	32½	32½	32½	− ¾
Durim s	.46	12	164	16⅞	16⅝	16⅝	
DurFil	.24	21	2427	21½	21⅛	21¼	
Dycom		13	221	17¼	16½	16½	− ½
Dynscn		9	142	10⅝	10½	10⅝	
DytchC		8	478	17¼	17½	17½	
[illegible]							

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Kempr	.84	8	1095	[illegible]			
KyCnLf	.40	7	98	[illegible]			
KeyCn	s.52b	11	190	[illegible]			
KeyTm			302	[illegible]			
KeyFnc	.88	13	45	[illegible]			
KimEn		10	514	[illegible]			
Kinder	.08	15	6119	[illegible]			
KndrLr		6	1390	[illegible]			
Kinetic		14	2083	[illegible]			
Kirschn		34	74	[illegible]			
Komag			227	[illegible]			
Kruger	.22	28	12	[illegible]			
Kulcke		11	54	[illegible]			
LPL		11	64	[illegible]			
LSI Lt	.05e	15	54	[illegible]			
LSI Lg		18	2412	[illegible]			
LTX		64	1480	[illegible]			
LaPete		28	494	[illegible]			
LacldS s	.40	5	4	[illegible]			
LaddFr	.28a	13	34	[illegible]			
LaidlT B	.24	32	8073	[illegible]			
LamRs		13	6489	[illegible]			
Lancstr	.72	11	739	[illegible]			
Lance	.72	17	113	[illegible]			
LdmkGph		12	2717	[illegible]			
LaserPr		14	1761	[illegible]			
Lawsn	.32	17	40	[illegible]			
Legent		28	1355	[illegible]			
LeeGrp	.14e		23	[illegible]			
LibtNB	.82	10	54	[illegible]			
LieTch		19	201	[illegible]			
Lilly A	.48	12	150	[illegible]			
LinBrd		60	7863	[illegible]			
LncBc s	t	14	13	[illegible]			
[illegible]							

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WilyJ A	1.10	36	22	65½	64½	64½	−1
Willamt	1.45	7	743	45¼	44⅛	44⅜	− ⅛
WilmTr	1.24	11	141	34¾	33⅞	34½	+ ½
WiserO	.40	52	613	17	16⅝	16¾	+ ¼
Wolohn	.28	9	430	17½	16¾	17½	+1
WolvEx			249	6¾	6⅝	6¾	
Worthg	.48	14	1375	21¼	21	21⅛	
Wyman	.80	66	514	17¾	17½	17¾	+ ¼
XL Dta s		29	109	18½	18	18½	+ ⅜
XOMA			3467	16¾	16	16	+ ¼
Xicor		10	2155	8¼	7⅞	8⅛	+ ¼
YelowF	.70	11	1327	28⅜	27⅝	27¾	− ¼
ZionUt	1.44		8	25¼	25	25¼	+ ⅝
Zycad			783	3⅜	3⅝	3¼	

The Business Column

Enhancing the 'quality' of Japanese investment

IN A few weeks' time Canon, the Japanese camera and office equipment group, will hold the official opening ceremony for its first research centre in Europe, at Surrey University in the south-east of England.

The inauguration of the small Canon unit, which is already operational, comes hard on the heels of a decision by Hitachi, another of Japan's leading electronics companies, to open four research centres in Europe and the US. One, within the grounds of the famous Cavendish Laboratory at the UK's Cambridge University, begins work this month. There will be others in Dublin, San Francisco and Detroit.

When Canon foreshadowed its move three-and-a-half years ago, after its copiers had become the subject of a European dumping inquiry, it admitted that the need to demonstrate good "corporate citizenship" was one motivation. Access to European research was obviously another.

Since then criticism has become widespread in the west that though Japanese companies are building European and American factories at an impressive rate, most of their high value-adding activities such as research, design, development, and engineering are still concentrated in Japan. There is a growing chorus of calls for European policies on inward investment to focus on the quality, rather than the quantity, of investment.

In "globalising" such activities, Canon, Hitachi and most other Japanese companies have – sensibly – started the process more with research than with design, development or engineering; Hitachi and others may call their new units "research and development centres", but in the main they are doing "R", not "D".

A western obsession with research

The convenient bracketing of "R&D " fudges the distinction between two very different activities - a confusion which, in the West, has afflicted general managers and government policy-makers for decades, to the detriment of a proper understanding of the process by which new products are conceived, designed and developed. This misunderstanding has encouraged a western obsession with research, and an underrating of the skills of design, development and product engineering – despite the fact that these are precisely what underpin the phenomenal success of Japanese products over the past 20 years.

While it is relatively easy to manage research units in remote locations, it is harder in the case of design, and very much more so for development and engineering. In the few cases where Japanese companies have "exported" real development and engineering to Europe and the US in the past, much of it has been relatively separate from Japan; either originating separate products, as in Nissan's car design and development activities in California, or adapting Japanese designs to local markets, partly to improve local component sourcing - this was true for some time of Sony's UK operations, as it will be of Canon's proposed French and West German development units.

In both cases, integration between head office and the work of these remote centres has been increasing in the last few years. But such examples are likely to remain the exception rather than the rule for some time to come, because it is extremely tricky to manage completely integrated development and engineering across oceans (and even national borders), on the pattern practised for decades by IBM and a few other western multinationals.

If it has been hard for them, it will be doubly so for the Japanese because of the unusually tight-knit yet informal way in which their specialists from a wide range of disciplines – marketeers, designers, and several very different breeds of engineers – work very closely together throughout the product development process.

This sort of parallel, multi-disciplinary approach has become known as the "rugby team" style of development. Even with modern communications networks, it is hard to play such a game if the team members are on different continents.

Christopher Lorenz

THE MONDAY INTERVIEW

A delight in working on the grand scale

Paul Cheeseright talks to Stuart Lipton

In London Stuart Lipton is everywhere. At least it might seem like that. He appears to be involved in so many property development schemes that he is changing the face of the capital single-handed.

Indeed, there are some property company directors who argue earnestly that big development projects should be more evenly spread around – that is, they want some of Lipton's. It would be healthier, they suggest.

The man himself plays it all down: "I've no more influence than anybody else, in that it is the planning authorities who make the decisions based on their own ideas. It's a misunderstanding that any one developer can influence society."

Arguably though, Mr Lipton can influence parts of it. The schemes promoted by him and others like him provide a basis for the planning authorities to make their decisions. If nothing else they provide a focus for the planning argument.

Beyond that, Mr Lipton exerts influence by the type of property developments he and Stanhope Properties, the company he one-third owns, like to undertake. Their interest is not mainly in single buildings but in large London projects which, as Mr Lipton put it, are "all about creating places, creating an environment which is interesting, stretching, safe, pleasing and which will create value and profit. We're not innocents."

"Places make London – the streets, squares, avenues – it's places you remember." Mr Lipton wants to work on the grand scale. He does not want to make Stanhope Britain's largest property company. "Our style is to do a few projects and do them well."

The Stanhope track record comes from its participation in Broadgate, the biggest office project in the City of London and a new commercial district around Liverpool Street station, and in Stockley Park, the business park near Heathrow Airport, created from 400 acres of wastelands. Both these projects were able to take advantage of the surge in property values over the last two to three years.

The future includes taking part in the redevelopment of the King's Cross and Holborn Viaduct railway lands, a large chunk of the derelict Royal Docks, a section of the graceless London Wall in the City, the lifeless South Bank arts centre and the old Chiswick bus garages in west London. These projects where the millions are thrown around in hundreds, were conceived at a time of huge confidence in the property market, but are unlikely to be built in quite such propitious conditions: the market is highly cyclical.

It is the proliferation of such plans and Mr Lipton's willingness to talk about them, rather than the finished schemes themselves that give him a high public profile unusual in the property industry. Developers are rarely popular – the butt of criticism by Prince Charles for their lack of sensitivity, by politicians for their eye on the bottom line and by the general public for the projects next door.

But Mr Lipton has always sought, in public pronouncements going back to the early 1970s, to make property development appear a community activity rather than the preserve of pariahs. Early this decade he won the accolade of being termed "the acceptable face of property development."

Certainly he is on the board of, or an adviser to, institutions of the great and the good: the Royal Academy, the Royal Fine Art Commission, the National Theatre, the Sainsbury Building at the National Gallery, Whitechapel Art Gallery, and the Royal Institute of British Architects.

But it is the development sites which are his living, his canvas for a mixture of commerce and art. "Get the geometry right. Everything flows from the geometry." And by geometry he means "the relationship of one thing to another on the ground." Like a street – it should flow. "Buildings may change, but streets will remain the same.

"Think of Nash – the way he sweeps Regent Street down to Piccadilly. The individual buildings are secondary. You look at the pattern of the place rather than the individual buildings."

This is the property developer advancing himself as patron. "For me everything stems from patronage." The developer, in the Lipton view, pulls the pieces and people of a project together. "I see myself in the position of being prepared to use architects, designers and craftsmen who haven't got the opportunity normally to work on the scale that we do."

PERSONAL FILE

1942-60 born 1942, educated at Berkhampsted School

1960 Began work as estate agent

1966 Formed Anthony Lipton and Co

1971-73 Director of Sterling Land

1976-83 Managing Director of Greycoat

1983- Chief executive Stanhope properties,. member of property advisory group of Environment Department, member of council of British Property Federation

1984-7 Director of Stockley

He harks back to the Victorian era and a relationship between architect and client "where the client was tolerant, aware of the risks of innovation and supported concepts which were often controversial."

What is controversial when it is built can be viewed with affection later, he says – Tower Bridge, for example. "All art, craft, architecture, design, technology is stretching at the moment of innovation. We have to be prepared to take risks."

But that is not the same as giving architects a free hand. Mr Lipton is renowned for a single-minded attention to detail. One of his contemporaries relates how he had gone to Brazil at carnival time in Rio to look for a special type of marble, had found the marble and rushed straight back, carnival ignored. Other contemporaries doubt the wisdom of paying consultants and still worrying about the shape of the door handles.

More importantly architects have to work within the framework of a project. "We do not pass the buck to an architect," Mr Lipton says. "We don't ask an architect to try to produce results which we wouldn't support." That means it is up to the developer to provide the architect with a brief which reflects both the economic constraints and the planning criteria of any particular site.

Lipton practises what he preaches in terms of his own surroundings. Stanhope's own offices were designed by a young architect. His own suite has black Italian furniture; a book of engravings – London Bridge in 1800 – is open on the marble table. Books about architecture, design and engineering fill the shelves. It is all very expensive.

Not that that is a problem. Mr Lipton has been lucky with money. He sold out his property interests in Sterling Land just in time to avoid the 1974 property market crash. He brought Stanhope Properties to the market just in time to avoid the 1987 equity market crash.

And if Stanhope had needed a fairy godmother with a wand of banknotes, then she appeared in June 1988 in the form of Olympia & York with £130m to buy a third of the equity. "It puts us in a more relaxed position." Although Stanhope owns individual properties, its main potential source of wealth is in the large projects. "Major projects are long-term. You can't conduct your business on a short-term basis." The involvement with O&Y gives the financial stability to make that possible.

'Good architecture is good business'

There are enough indications now to suggest that the property market is beginning to turn, that the heady rises in rental values of 1987 and 1988 are unlikely to be repeated for a while. And that, of course, is not good news for Mr Lipton. "Market cycles are something you have to fully appreciate. There is a lot more space being created so we certainly try and balance our output." But his chief verbal defence against the threat of a difficult market is that always advanced by property developers – their particular building is the best, so it will not be affected.

"I'm influenced by the fact that good architecture is good business," Mr Lipton says. This is the starting point. "Minimising risk equals maximising certainty. If we can produce good architecture – that means to start with architecture our customers and tenants find pleasing – then that increases value. Once you've taken care of the value, you need to take care of the costs."

This means "buying at a fixed price from contractors we've worked with before." It means using known techniques based on thorough research. The construction industry does no research, according to Mr Lipton, so he has done his own into the use of steel, for example, and prefabrication. The construction sites are like assembly plants.

And the trick too is to use somebody else's money. Stanhope and Rosehaugh, its partner in a series of developments, have arranged bank finance of around £1bn for the Broadgate development. But the funding has been secured on the different phases of the project, so that there is limited recourse to the companies themselves. It is another way of minimising risk.

In this and other projects Mr Lipton has the capacity to influence the lives of a great many people. He argues, as others have, that buildings up to 1978 are outdated. They do not provide the technical needs, the public spaces, the sports facilities that people need. But it is not quite clear what people do need or want.

This, for Mr Lipton is the new industrial revolution. "The culture of tenants has changed. We know about the implications of electronics. What we're trying to understand is how that culture impacts on buildings."

Restrictions on public criticism of courts

JUSTINIAN

WHEN THE Council of Judges meets next Saturday to consider the higher judiciary's response to the Lord Chancellor's proposals for reform of the legal profession and legal services, the circumstances under which the original meeting was postponed from a Monday morning session in mid-April, during court working hours, will not readily be forgotten. The suggestion in some national daily newspapers that the judges were downing forensic tools in the cause of self-interest has a mordacity that bit deep into judicial pride. There was even talk of contempt of court, what the law calls scandalising the judiciary.

The judges have cause at least to feel some resentment at their recent exposure to such public criticism, which many felt went beyond the respectful, even though outspoken comments of reasonable people. They feel that the protection, normally afforded to them constitutionally through the Lord Chancellor as head of the judiciary, was absent. They point not to the present incumbent of that office, Lord Mackay, but successive predecessors. For 100 years, until 1981, there had existed a forum for the judges to meet and report on a regular basis about any aspect of the administration of justice. In 1873 an act of parliament set up a Council of the judges of the Supreme Court (that is, the High court and the Court of Appeal) to meet at least once in every year. All the judges had to be given notice of the meeting for the purpose of "inquiring and examining into any defects in the system of procedures or the administration of the law". The Council was, moreover, required to report annually to government. So far as the records disclose, the council met only intermittently over the years. If it did meet there is no evidence of annual reports. The obligation to summon a meeting of the judges was placed squarely by the statute of 1873 (repeated in 1925) on the Lord Chancellor.

The Council was abolished in 1981 by the Supreme Court Act, no doubt because of the embarrassment to successive Lord Chancellors of having to admit non-compliance with the law. Had the Statutory Council of Judges continued to exist beyond 1981 it would have been the ideal instrument through which the Lord Chancellor could have canvassed the opinions of the judges. He could have convened the Council to consider his reform proposals, either before he had issued the three Green Papers which emerged this January or at least after their publication. Had the Council been in existence and convened by the Lord Chancellor there could have been no breath of criticism of the judges meeting, since the date of any such meeting had under the old statute to be fixed by the Lord Chancellor with the agreement of the Lord Chief Justice. Whatever the date for the meeting, the judges would have been complying with the law prescribed by Parliament.

In the absence since 1981 of an institution, such as the annual judicial conferences which flourish in the US the Master of the Rolls and the Lord Chief Justice together decided a year or so ago to set up an informal Council of Judges. It was that body which was called ad hoc to meet the tight timetable set by the Lord Chancellor for responses to the Green Papers. Indeed the postponement of the mid-April meeting until May 20 had to be accompanied by a concession from the Lord Chancellor beyond the May 1 deadline for such responses. Given the extra-statutory nature of the newly-constructed Council of Judges and the short time for preparing submissions to the Lord Chancellor, it was hardly surprising that the judges' meeting was fixed to take place during the law term. For the judges were just as much performing their duty, which is to comment on matters germane to the administration of justice as well as dispensing justice daily.

After the rumpus in mid-April and the postponement of the judges' meeting the Lord Chancellor did something to rescue hurt feelings among the judges who felt they had been let down publicly. Lord Mackay stated publicly that in some quarters there had been a serious misconception about the judges' meeting. The judges were not behaving in any way that could remotely be described as industrial action. Yet one newspaper under a headline "Rebel Judges Stop Courts" wrote that senior judges were "disrupting their courts to hold a mass meeting protesting against the government's legal reforms." Another newspaper compared the stoppage of work in the courts for "an entire morning session with walkouts organised by unions". One leader writer commented that "Judges are behaving no better than the dockers. . . .both are trying to protect similar privileges and restrictive practices."

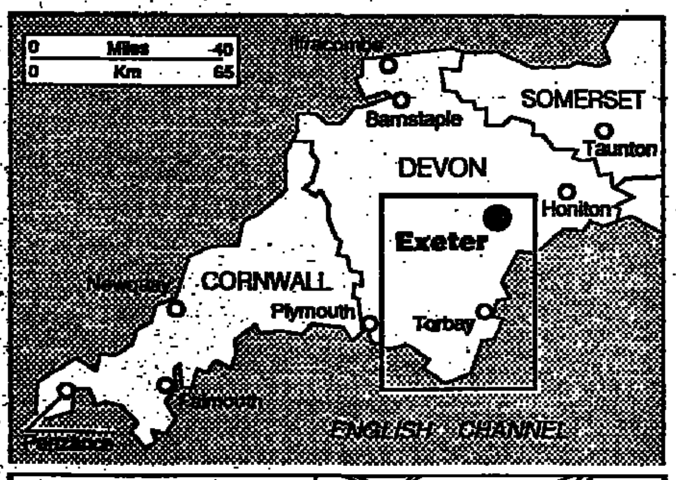
Judges nowadays are sensitive to the fact that the offence of scandalising the judiciary is an unjustifiable impediment to freedom of expression and freedom of the press. There is little danger of any editor being prosecuted for criticising the judiciary, irrespective of the strength of language used. To adapt the words of Lord Atkin, the path of criticism of courts and judges is a public way, along which even the wrong-headed are entitled to wander with impunity. What, however, is not sanctioned is the imputing of improper motives to the judges, or that they are acting in malice. Any attempt by a commentator to impair the administration of justice is also going beyond what the law permits.

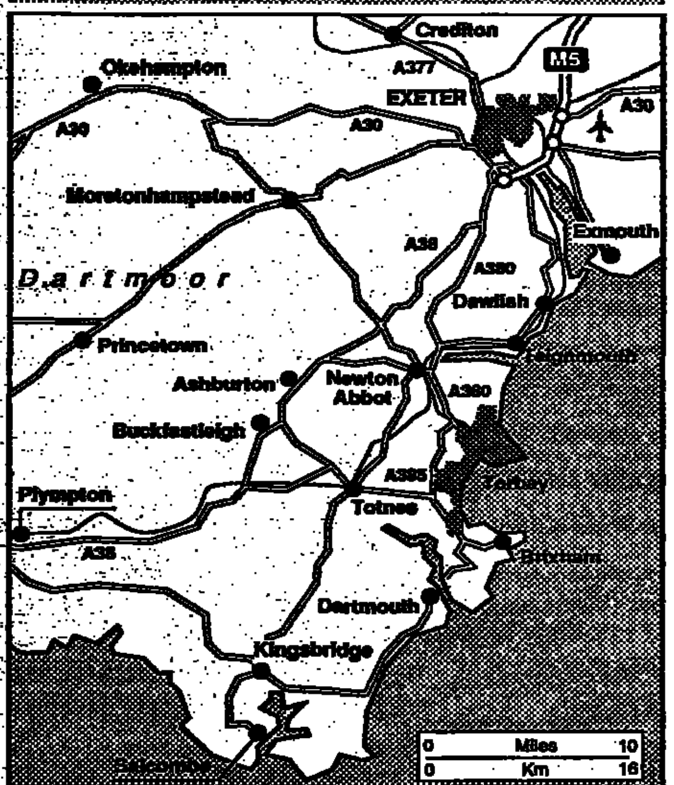
The law remains sensitive to one outcrop of unacceptable criticism. If it arouses in the public mind a general dissatisfaction with all judicial determinations and hence disposes the individual citizen to disobey the law such that allegiance to the courts and their orders generally is gravely threatened there is need for a contempt law. The problem is that any such unjustified attack on the judiciary can never be justiciable. No court asked to hear an application to commit an editor for contempt could claim not to be judge in its own cause. The stark reality that the offence of scandalising the judiciary is obsolescent, if not obsolete, places an additional responsibility upon those who control the organs of public communication.

SECTION III

FINANCIAL TIMES SURVEY

Exeter, for long an administrative centre in the heart of Devon, has recently been voted one of the most attractive places in which to live and work in Britain. The city is now attracting more companies from high-cost areas in the south-east, reports **Anthony Moreton**.





Exeter's mediaeval cathedral: over 850 years old and one of the finest examples of decorated Gothic work in England.

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□ *Graphics: Bob Hutchison.*

EXETER and the HEART OF DEVON

Signs of rising prosperity

AN AIR of surprised disbelief suffuses Exeter. The city can hardly come to terms with the boom that has taken place in the last 18 months.

Suddenly, Exeter has joined "the big boys" and the prosperity is spreading around a county that has some of the best farming land in Britain and is one of the UK's prime holiday areas.

Exeter, Devon's capital city, is not yet as important as Plymouth, the county's largest city and "unofficial" capital. With its dockyard and maritime tradition, its influx of new manufacturing industry and new thoughts on the city centre, Plymouth continues to be Devon's biggest centre.

The Exeter authorities would probably not want it otherwise. The city has just been voted as having the "highest quality of life" in Britain in a survey of medium-sized towns, conducted by the University of Glasgow's geography department.

The prospect of a major influx of high-tech companies putting pressure on Exeter's infrastructure and causing congestion, would cause shudders among those responsible at City Hall for promoting the area. In Exeter, nevertheless, the expansion of business has started in a quiet and — the authorities hope — a controlled way. A lot of building is going on and prices are inevitably rising.

The EBC Group is assembling a 40-acre site under the flag of Exeter Business Park, next to one of the motorway junctions which should lead to the creation of 500 jobs; and Lovell Urban Renewal is undertaking a £15m development alongside the river Exe, next to the canal basin.

"Over the past 18 months there has been a very real increase in the level of business awareness in the area," says Mr Ivor Simpson, director of the Devon and Cornwall Development Bureau, the body stimulating inward investment.

"This is happening in the financial as well as the manufacturing sector. Exeter is picking up at real speed and it is becoming a very lively community."

His words are echoed by Mr Andrew Day, South West regional partner of the estate agents, Strutt and Parker — "there is a lot of development going on and prices for new premises are chasing those in Bristol," he says.

"Exeter had always rather looked at Bristol with some awe, but no longer. A sense of belief in themselves has taken place among leaders in the city and there is no longer a feeling that the city is 'at the back of beyond.'"

Mr Chris York, director of Exeter's economic development unit, was born and bred in the city. Commenting on Exeter's expansion, he says: "I have never seen such sustained growth."

Sentiments such as these back up official statistics which show that unemployment is a mere 5 per cent, which, in today's terms, means just enough to prevent the labour market seizing up.

Exeter's growth can be traced back to the replacement of the Conservative administration in city hall in 1984 by a minority Labour Party, backed by the Alliance. Exeter had for years taken the view that it did not need to project itself — industry would come if it wanted to, the council believed.

The Labour-Alliance group decided, instead, to market the city positively. Backed by the county council, which around the time was also moving leftwards, the result can be seen in the growing prosperity in Exeter and the heart of Devon. In the county council elections this month, the Conservatives regained control, but it seems most unlikely that the policies will now be thrown into reverse.

The growth of Exeter can be contrasted with Torbay, where a traditional Conservative administration has still to work out precisely how to maintain the area's reputation as one of the top-class British holiday resorts.

In the city centre, THF will have the city's first four-star hotel, a £10m project aimed specifically at the up-market business sector, operating under the Forte banner, open by October.

The arrival of THF has stimulated others: for example, the Clarence Hotel, part of the Royal Norfolk group, is spending over £3m on a complete refurbishment.

Exeter has been particularly successful in attracting financial service companies, light industry and distribution concerns.

Heavy manufacturing is more suitably placed in Plymouth, with its engineering and dockyard traditions. But the sort of industry that Exeter wants — and is attracting — is the kind that needs campus-style settings, such as those which are being provided in a number of business parks.

The city's setting has been instrumental in attracting this type of industry. It is located at the end of the M5 motorway, has good rail links — not just with London, but also with the Midlands and the North, and a fast air-link into London. Ease of contact with London is important to most companies relocating to the county.

What is happening in Exeter is part, in fact, of the business phenomenon that it occuring throughout the south-west and South Wales. Places like Poole, Bristol, Newport, Cardiff Gloucester and Cheltenham are all attracting companies which are looking for a release from their problems in the overcrowded and high-cost areas of the south-east of England.

The success within Exeter has spread out further afield. Land has suddenly been made available at Tiverton by junction 27 on the M5 for an industrial development. Overseas companies have moved in to the north coast with Pall now employing 250 at Ilfracombe, Kaba Locks has gone to Tiverton; and in Barnstaple and Bideford, some 70 acres of land is being brought forward over the next two years, with another 30 being held in reserve.

The completion of the North Devon Link Road this autumn, a road that leaves a lot to be desired but which is still an improvement on the former A361, should further help the whole northern coast. Prices have risen to reflect the upgrading of the area.

"Eighteen months ago," says Strutt and Parker's Mr Day, "it was difficult to sell an office in Exeter. Now people are falling over themselves, with the institutions in the van, to obtain properties. In terms of value, this city will soon be on a par with Bristol."

Prices reveal this trend: rentals of about £14 a square foot are on the point of being reached, double the level only two years ago, and land prices have risen fast. A little over a year ago it was just about possible to buy development land for £140,000 an acre. Last May, EBC paid £300,000 an acre.

By the end of last year, the average was £310,000 (with one plot going at £480,000) and earlier this year 2.9 acres were sold for £469,000 an acre, a rise of 300 per cent over 18 months.

There has been "quite phenomenal" growth in demand for offices and industrial buildings, according to Dartington Group's Mr John West. Some notable incomers have arrived, too. Last month, a leading specialist insurance company, the 105-year-old Medical Sickness Annuity and Life Assurance Society, announced it was to move from the West End of London to Exeter, creating up to 350 jobs.

Medical Sickness, which is spending between £10m and £12m on a 15-acre site, will be joining London and Manchester Insurance, which moved to the city a decade ago. And Exeter came close to being chosen as the southern operating base for the Charity Commission, losing narrowly to Taunton.

There is little wonder, given Exeter's attractions, that it should have been chosen as the most attractive medium-sized town in Britain. What has happened, according to Mrs Jilly Greed, a public relations consultant, is that "Exeter's long-time strength as an administrative centre has given it an affluent base. Wealth is not flashed around here, but it is here for all that.

"People enjoy a comfortable life here. Now its strong retail and administrative core is being enhanced by the growth of financial services, such as those provided by Medical

Continued on page 6

Residential property

High prices of rural homes cause problems

THE SITUATION with residential property in the heart of Devon is, in some ways, similar to East Anglia.

With prices in London and the south-east becoming very high, people have realised their profits and moved into these two areas.

House prices in Devon five years ago formed a very low base. The county was deemed just too far for commuting and seemed remote compared with Sussex and even Dorset and Hampshire.

With communications improving rapidly, more people have decided to move because they could buy houses relatively cheaply. The quality of life was – and is – very good. Dartmoor is only 10 minutes drive from Exeter, while Torbay is only half an hour away from the city.

The population of Devon has grown rapidly, by about 3 per cent a year in the past couple of years, and this rise is not merely due to elderly people retiring to the Torbay area.

Many young professional people took their profits to the south-east while others followed the companies which had decided to relocate in the south-west.

During the 1985-88 period, house prices rose on average by at least 50 per cent and, in some cases, doubled. There has been much publicity to the effect that in the last year of the property spiral 1987-88, Devon and the south-west was second after East Anglia in price rises, but they remain about a third cheaper than in the south-east.

The Westcountry Property Guide in the Western Morning News reckons that a post-war two-bedroom flat or maisonette could, until recently, be bought for £54,000 in Exeter.

A three-bedroom semi-detached house of 1930s vintage would cost around £64,000 and a pre-war individual four-bedroom detached house, in a prime area, would cost £150,000.

The council's own guide says a small semi-detached house would cost £62,000, a bigger house £135,000 and a well appointed cottage, perhaps with out-houses, would be £250,000.

There does seem to be problems for executives searching at the top end of the market. Devon, historically poorer than the counties closer to London, does not have as many old stone or slate rectories or imposing country houses as, say, Dorset or Gloucestershire.

Against this there has been the phenomenon common in Sussex and East Anglia where farm incomes have dropped in recent years – and farmers are increasingly being given planning permission to convert derelict barns and buildings and then sell them off with a few acres.

The "barn conversion" industry has not become as active as in East Anglia. The Dartmoor authorities have, in fact, tried to clamp down on it, because they found the huge pre-war barns were being converted into six or seven units – and entire new hamlets were being created.

The high prices for rural dwellings have, of course, caused hardship for the local population. Many young people have found it difficult to become home-owners in areas where they have lived all their lives. This social dislocation has been of great concern to the county authorities. But the difficulties of local first-time buyers being gazumped by newcomers has also caused problems in the towns.

For the moment, the property market has come grinding to a halt. Large interest rate rises have a lot to do with this and in some areas prices have been dropping. But estate agents in Devon say there is also the particular problem that incomes are some 15 per cent lower than they are in the south-east.

With interest rates as high as they are, first-time buyers cannot afford even £50,000 for the cheapest unit in the town areas. The lack of people able to get their feet on the first rung of the property ladder has rippled up through the market – and "nothing is moving," as the estate agents say.

The situation is not helped, of course, by the fact that there is a dire shortage of public housing. The Labour-controlled Exeter City Council will be able to build only 80 units this year. This is not so much because the price of land has soared, as that, along with other local authorities it is constrained by government cuts from building new units.

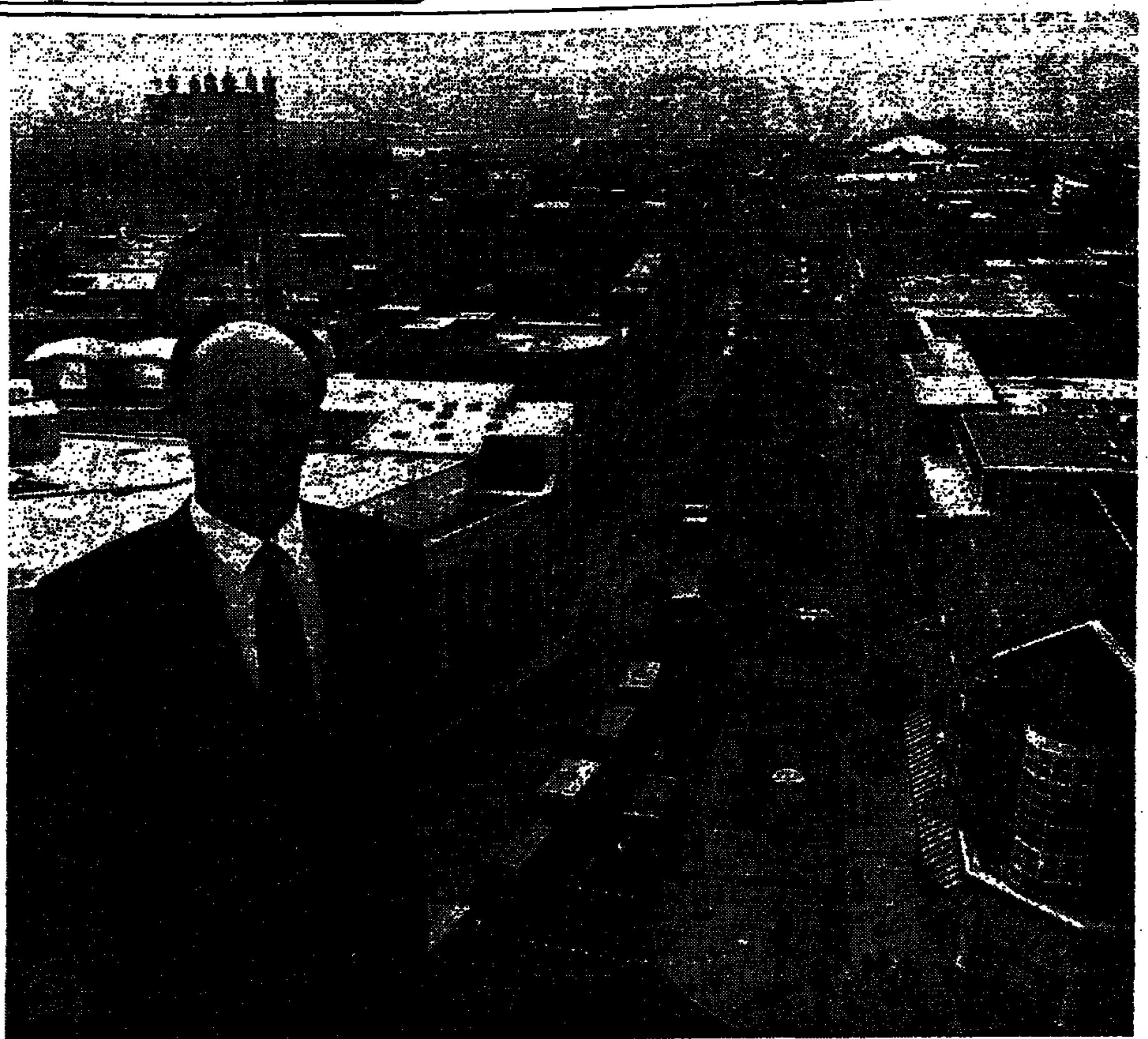
At the same time, the national policy of selling off council properties to tenants at below market prices has eaten into the council's stock. Some 50 council house are being sold each month, or around 600 a year out of a total stock of 7,000. There is a waiting list of 2,000 for new homes, and there are some 8,000 people in shared accommodation.

There are only 20 people in bed and breakfast accommodation in Exeter, so the housing problem may be minor compared with other parts of the country. But the 80 units will not go very far in meeting the demand. The council expects to be able to build fewer units in 1990 and possibly none at all in 1991.

For this emerging sub-class, which the shortage of public housing has created, the outlook remains bleak. Few members of it will presumably ever be able to buy their own homes, unless they win the football pools.

For those who are slightly better off and for many newcomers, the market should eventually improve. The County Structure Plan has identified that 80,000 new dwellings will be needed by 1996, but there is no actual shortage of land, but possibly a lack of speculative builders.

Stewart Dalby



John Lawrence, above, the partner in charge at Chesterton's chartered surveyors office in Exeter, says the city "is experiencing a particularly competitive commercial property market."

Commercial and industrial property

Fortune favours the bold

MR DAVID JUBB, the quiet, reserved chief executive of London and Manchester Assurance Company can afford a wry smile as he shows you around the company's campus style headquarters outside Exeter.

The company had decided to relocate in 1972. Consultants looked at lots of sites. When the decision to move from London and Manchester to Exeter was taken in 1974, the property market, particularly for industrial sites had crashed. London and Manchester bought the first 46 acres of its new headquarter site for £300,000.

Recently, the Exeter City Council sold a one-acre site it had acquired for industrial/service industry use for £480,000. The message would seem to be, as so often with property, that those who get in early flourish the most and that fortune favours the bold.

L and M moved to Exeter long before it was fashionable and few companies of its type would have considered it as a headquarters. Also, it was fortunate in that it purchased its site just before the big price rises of the 1970s. The figure for the sale of a one-acre site is, moreover, a little misleading insofar as it was a prime site close to town.

Exeter and this part of the south-west have not quite taken off as a relocation centre. There have been sharp rises in properties of all kinds – industrial land prices, commercial offices and, most of all, residential properties.

But despite the rises the area remains relatively cheap compared to, Bristol, Reading or Swindon, for example. The County Council, which is actively trying to attract companies to the south-west and has brought in over 300 organisations in the past ten years, has around 200 acres of land with industrial planning permission.

Not so long ago it would have had 500 acres around Exeter, Barnstaple and Torbay.(The County authorities are not so involved in Plymouth, which has its own agency for industrial development.)

Depending upon location – until the north Devon link road is completed, areas such as Barnstaple will remain relatively isolated – industrial land can be obtained at around £200,000 an acre. This is certainly cheaper than sites in Peterborough, Cambridge or Milton, for example, and is possibly half the cost of a similar location in Bristol.

There has been a sharp rise in Exeter office rents

There are only a few traditional-style factories in the area. But a growing number of small high-tech companies – the type employing 50 to 100 people – have been set up while others are showing interest, as the so-called M4 corridor becomes overcrowded and expensive.

The inflation in office rents has been sharp. In the heart of Exeter this has been due, one suspects, not so much to national companies relocating, but from law firms and other financial groups regionally based in, say Bristol or Plymouth expanding into Exeter and its environs.

From his second floor office at the city's civic centre, Mr Chris York, who is responsible for Exeter city's promotion, points across to a Georgian row of buildings – "you see that top floor there. Two years ago you could have got a suite of offices at £1 a square foot," he says. "One year ago it would have been £5 a sq. ft. Recently that particular office went for £13."

Prices remain cheaper in Torbay and Barnstaple office rents are still well under £10 a sq.ft. Exeter has now more or less caught up with Bristol and is not far behind Reading where offices rents are around £20 a sq.ft.

Still, £15 a square foot is a lot cheaper than the £55 per square foot payable in the City of London or £50 a sq. ft in London's West End.

The County authorities are in the midst of a campaign to attract Civil Service departments to the area. In a promotional book, they identify several sites in Exeter, North Devon, and Torbay.

In Exeter itself, the old Victorian eye hospital is mentioned as being surplus to requirements, a major development at the Central station could be possible to include substantial car parking facilities and up to 185,000 sq ft of office floorspace.

Some people among the city authorities have their doubts as to how soon these sites will become available. But the point is made that despite price rises, there is not the kind of pressure on office space to be found elsewhere. The authorities at County Hall were hoping that the Charity Commission would be among the civil service departments to be attracted, but it now seems it has decided to go to Taunton.

Stewart Dalby

Tourism development

New life for old-style summer destination

WHEN I was a child in the 1950s, Torquay was by far the most glamorous holiday spot in Britain for a southerner. Brighton and Clacton were passable and Southend was the town where my elder wayward teenage brothers and sisters went to be wayward. But of them all, Torquay was the ritziest resort.

When my father announced one year that we would be taking our two-week summer holiday at Mrs Thing's guesthouse in Torquay (house rules: lights out by 10 o'clock, no smoking in bed, and anyone arriving for breakfast after 8.30am would

Exeter Quayside

not be served), I had the distinct feeling the family was going up in the world.

Torquay even had palm trees, so it had to be warmer than the rest of England. Although the term "the English Riviera" (covering the Torbay area, Torquay, Paignton and Brixham) had been cribbed from the French version, I remember feeling this was the first step to the big time of strange, foreign holidays.

The palm trees are still there, if a little forlorn after the winter. But the Torbay complex, like so many British holiday resorts, has seen its share of upheavals in recent years. The Victorian resorts such as Torquay really flourished in the age of the train. Whole families would visit and stay for a week or two.

As the post-Second World War austerity gave way to relative affluence, more people acquired cars and began to travel further. More pertinently, the British abandoned the traditional bucket-and-spade holiday and took off in millions for the sun in Spain, Greece and the French Riviera.

The old-style holiday survived longer in Torquay than elsewhere, possibly because of its upmarket image, or because it is indisputably warmer than anywhere else in Britain. When the guesthouses and smaller hotels in places such as Brighton and Hastings were beginning to feel the pinch by the 1960s, Torbay had its peak year in 1977, with 18m visitor nights. The area still attracts around 1.5m visitors, but they stay for shorter periods. The average stay now is 6.4 nights instead of 10 nights.

The bay went into decline and the nadir was reached in 1982 when tourist nights fell to just over 9m, a drop of 22 per cent. That was the year when Britain was in recession and the number of visitors has since risen to around 10m visitor nights.

However, the fall in visitors had a knock-on effect on the town's economy. Torbay has little industry other than tourism to supply jobs. A third of the economically active population is directly employed in tourism, while something like

Rougemont House

70 per cent are dependent on it in one way or another. In the early 1980s, the number of unemployed people touched 27 per cent out of season. It is now 11 per cent, still higher than the national average.

The three towns became secondary shopping centres with the big multiples setting up in the regional centres like Plymouth and Exeter. This was the case even though an increasingly number of often wealthy people retired to Torbay.

Various councils and local authorities reacted in different ways to the decline of the traditional British holiday. Some, such as Ilfracombe on the relatively isolated north coast of Devon, did very little to adjust and as a result still has an out-of-season male unemployment rate of 30 per cent.

Other local authorities, realising that tourism was a business like anything else, began to diversify and create other amenities. Brighton, for example, spent public money on a conference centre and this meant the start of a new kind of business.

Mr Tim Whitehead, the director of the Torbay Tourist Board, said the local powers realised in 1978 that something had to be done to arrest the decline in the town's main money earner.

An action plan called 'Torbay 2000' was drawn up and the needs identified. Four years ago a new £6m marina was built at Torquay. Two years ago the English Riviera Centre was constructed. This cost £15m and was funded largely by the local council. It has a 1,500-seat conference centre, a covered all-weather swimming pool and shops, restaurants and bars. It does not make profits, but has nevertheless been a great success, according to Mr Whitehead, because of the numbers of people it has drawn to the town.

The latest development in Torquay is a 100,000 sq ft shopping complex built around a pedestrian walkway by the harbour, covering most of Fleet Street.

In Brixham, an extremely attractive fishing village with pastel coloured cottages climbing the hills, a new yachting marina is being built. This is the brainchild of an American, Mr Chuck Fleming, who fell in love with the village and wanted to do something for it. There are berths for 300 boats and a number of luxury houses are being built on the quay. These will probably sell for £250,000 each.

Some hotels have been upgraded and all-weather facilities have been installed. The Palace Hotel, one of Torquay's two four-star hotels, has several conference rooms and has installed a health club and gymnasium.

No.10, Cathedral Close

All this, together with active promotion, has seen the number of visitors stabilise at around 1.5m or 10m visitor nights. Mr Whitehead insists that the bulk of the business is still the old family holiday. But he admits there has been a growth in other kinds of business – people taking second holidays, the weekend breaks and small specialised conferences. Next year there is to be an Agatha Christie Festival to celebrate the 100th anniversary of her birth.

However, Torbay is just a part of Devon's tourist industry, attracting something like a third to a half of all visitors to Devon. All told, Devon attracts some 3m tourists a year, making it the largest tourist county in England. The numbers dropped in the early 1980s and slipped below the 2m mark but last year there were 3.7m visitors. Some 10 per cent are from abroad, and this level can be expected to increase when transatlantic flights start at Exeter airport within the next two or three years.

Exeter Guildhall

With a total "spend" of £400m, tourism is an important industry. Countywide, around 10 to 12 per cent of the population are employed directly in tourism.

Americans are particularly interested at visiting historical sites. Exeter has made itself attractive by emphasising its heritage and history. The town has a particularly striking Norman cathedral set among pretty streets and surroundings. There are plans to excavate the Roman baths and there is some fine Georgian architecture, although not on the scale of Bath.

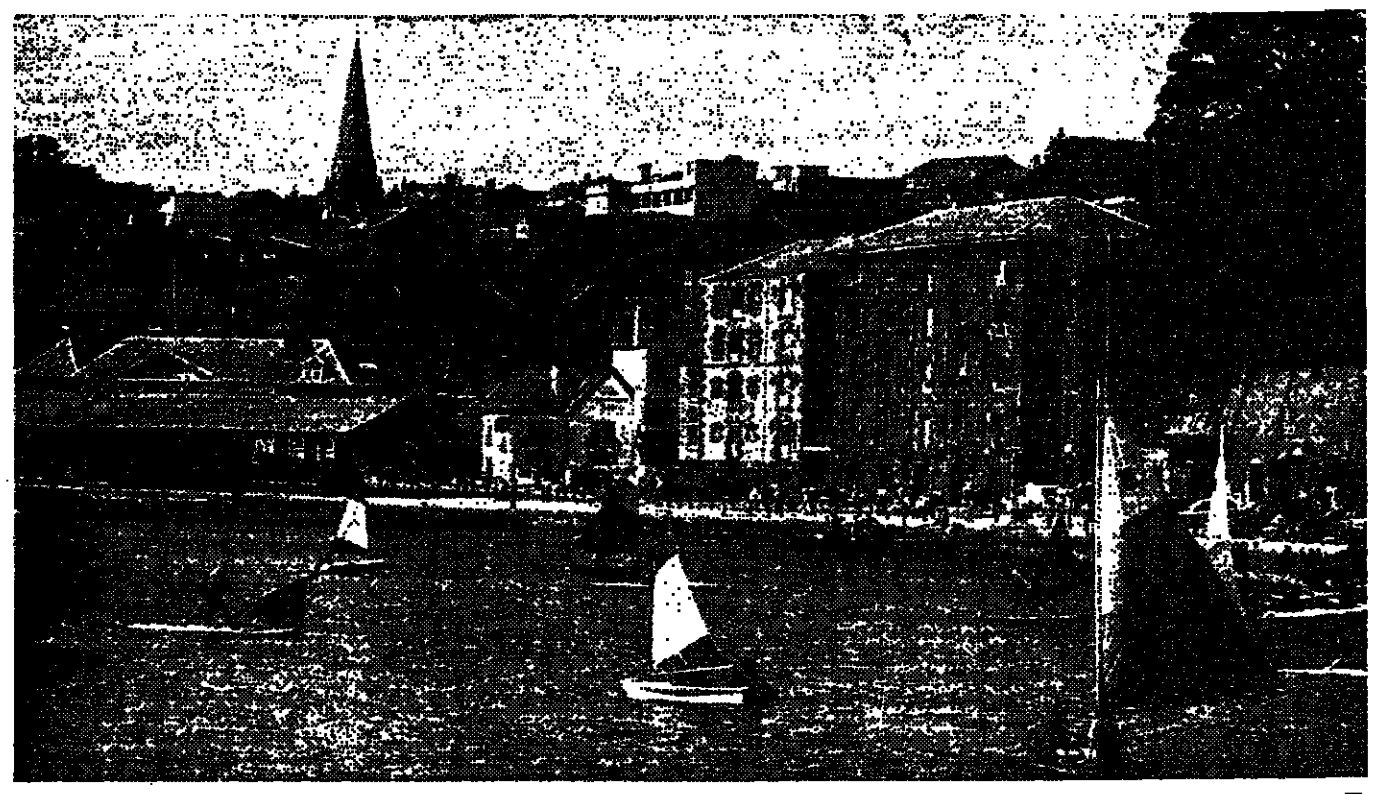
Trust House Forte is close to completing Exeter's first four-star hotel, the Forte Hotel. It will have 115 rooms, a health club and gymnasium as well as a business link centre. Although it will be centred on the business visitor, Mr Mark Fuller, the general manager designate, says there will also be good rates for families wanting to take weekend breaks or second holidays.

He believes Exeter is an excellent vantage point from which to explore the surrounding countryside. This is particularly true of Dartmoor, which is a national park of 365 sq.miles of moorland, forest and high tors, broken up by rushing rivers. It was once famous for its distinctive ponies but, sadly, these have been dying off and have not been replaced. Today, there are only 2,700 left, compared with 20,000 15 years ago.

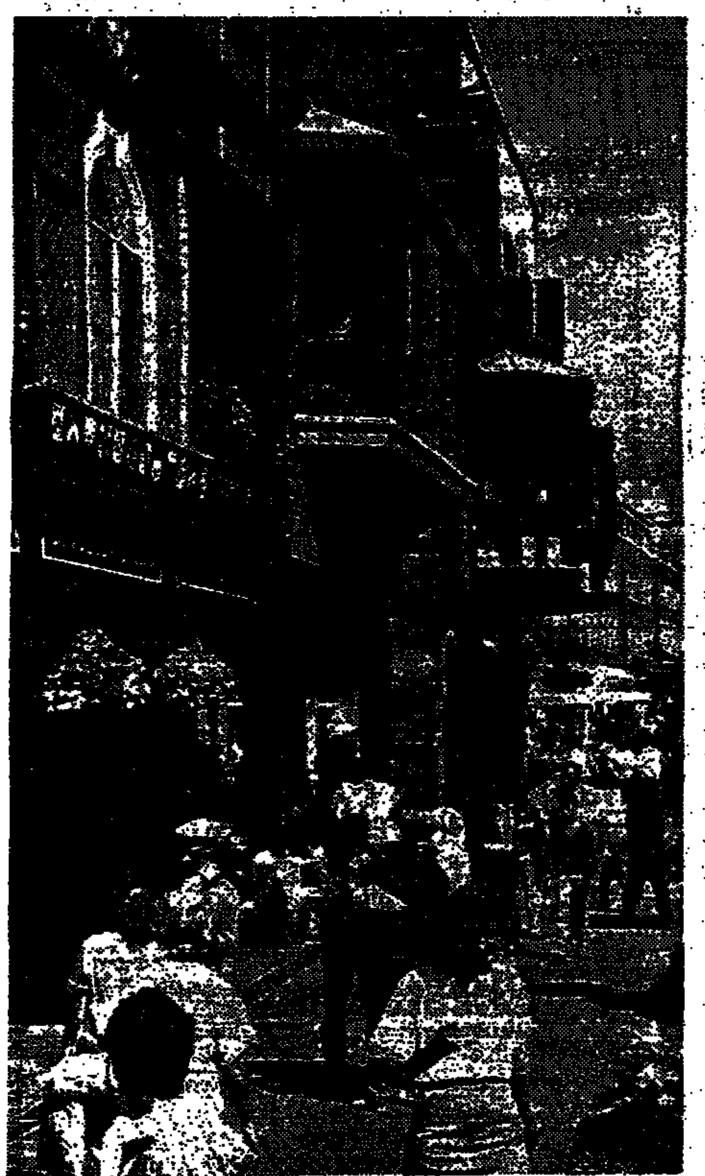
Between 7m and 8m people make day trips to Dartmoor. There has been a sharp increase in people taking hiking holidays although there are not many established walks.

With farmers encouraged to diversify in recent years, there has been a sharp increase in the number of farms taking in paying guests and establishments offering self-catering holidays. Similarly, there has been a rise in pony trekking and similar recreations.

Stewart Dalby



Above: the Quayside; right, Stepcote Hill, Exeter.



Shoppers in Exeter's High Street

Stewart Dalby examines the methods used to sell a city

Making a break with fashion

EXETER and its surroundings have almost, but not quite, reached "critical mass", to use the jargon of development agencies when talking about attracting industries and people to their areas.

According to Mr Andrew Smy, the director of property at Devon County Council, it is still not fashionable to relocate companies away from London and from parts of the south-east to Exeter, in the same way as it has been to places such as Swindon, Reading and Bristol, west of London, and Cambridge, Peterborough and Milton Keynes north of London.

If not enough companies have arrived, it is through no fault of Devon County Council, *Exeter City Council, or the* Devon and Cornwall Development Bureau. They have been pounding away for years at companies, extolling the virtues of Exeter and areas close by as "excellent for industrial relocation". Many officials believe Exeter's "turn" has now arrived. Their arguments are as follows:

The revolution in communications – technological (fax and computers) and physical (faster trains, better roads, more airports) – obviated the need for many sorts of companies to be in dirty, overcrowded, expensive London, its suburbs and other parts of the south-east.

The process of disgorgement got under way during the seventies, and was vastly accelerated in the 1980s. Companies found they could function just as easily in Swindon as in London but more cheaply. Sometimes they were bribed, persuaded, aided and assisted, sometimes not. There has been a whole range of grants, tax concessions, cheap land and the like on offer.

As the obvious places around London filled up and became as dirty, overcrowded and expensive as London, the rings began to ripple further away. Instead of Peterborough or Cambridge, companies would look further north at Grantham or York.

To the west, a group that had looked at Swindon might move further along the M4 corridor to Bristol. Exeter and Plymouth, rather like Norwich to the north-east of London, were considered just that bit too far out when relocation was considered. They were, moreover, not on the way to anywhere else in population terms. They were "end-of-the-line" type places.

For the past three years, the train journey from Paddington to Exeter St Davids has been cut to about two hours. This has been important psychologically in pulling the area closer to London. The M5 motorway was completed in 1976, but it was not quite the same thing. With the faster trains, businessmen who would inevitably have to travel to London and beyond for meetings, now find executives visiting them enjoy the day out.

Companies which might have moved to Bristol, in particular, are now actively considering Exeter, or maybe Taunton. Bristol rents have risen sharply, although they *are not that much more than* Exeter. But it has become difficult to drive into Bristol and find parking.

Residential property values around Bristol have risen sharply, while houses in villages around Exeter are still relatively cheap. The available supply of labour in Bristol has been exhausted. This has resulted not so much in higher wage rates but high turnover of staff. Training new staff can be expensive.

What Exeter can offer is a good supply of cheaper labour. Unemployment in Exeter itself is low at 5.2 per cent, but it is not typical. It is the administrative headquarters of the county and has always had a low jobless figure. Devon, with agriculture and tourism as its main industries, traditionally has had high unemployment.

Today it stands at 8.3 per cent against a national average of 8 per cent. But this figure masks some wide regional discrepancies. In Torquay, for example, the rate is 11 per cent.

The region has attracted over 300 high-tech companies.

The labour is available in Exeter, which has a travel-to-work population of 200,000, and wage rates are some 15 per cent below London and the south-east. Because long-established industries have been small, the record of industrial unrest and strikes has been good.

The supply of houses is still good. This is particularly true for middle management, who could take profits by selling up in London. Prices are probably a third cheaper. Property is available in attractive locations and in towns surrounding Exeter, although newcomers and outsiders moving into pretty villages and bidding up the prices has caused concern for residents who cannot afford to become first-time buyers. The schools are also good.

The quality of life argument is always stressed. It is possible to be in the midst of Dartmoor within 20 minutes. Office rents are cheaper than Bristol and industrial land with plan*ning permission for factories is* available.

The county council does not offer cheap land although it has been known to help with rents. It has been active in buying land for many years and sells to companies at market rates. These rates are considerably cheaper than places such as Reading, and at a discount to Bristol.

Exeter is at the end of the M5 motorway and is therefore an ideal spot for distribution companies. Marks and Spencer, for example, through a company called Transfleet, warehouses in Exeter for the region.

When the North Devon link road is completed within a year, the advantages of Exeter will become even more apparent. It is true that unlike the so-called M4 corridor the M5 does not have a major airport like Heathrow. But Exeter airport has been expanding rapidly and now has direct flights to several European destinations. Within a couple of years there should be direct transatlantic flights. With Gatwick and Heathrow increasingly overloaded, the business should be available.

It is not as if Exeter and Devon have been unsuccessful in attracting investment. In *the past 15 years more than 300* high-tech companies, many of them with overseas connections, have created more than 6,000 new jobs. Mr Smy puts the investment at several hundreds of millions of pounds. These figures refer to companies which have invested only in sites connected with the county council.

If one takes into account the general economic growth and the spill-over of this and the newcomers, then the number of jobs created and the investment are clearly much greater. One example of the spill-over is that because of the more buoyant climate, two regional solicitors, Bond Pearce and Bevan *Ashford, more usually associ*ated with Plymouth or Bristol, have set up, or are setting up, in Exeter in a big way.

Similarly, Trust House Forte, *looking to the opportunities for* business trade as much as tourism, is building Exeter's first four-star hotel, the Forte. This will have 115 rooms and will inevitably create many jobs in catering, servicing and administration having already done so in the construction industry.

The Exeter City Council has spent time and money trying to make the city more attractive to tourists and possible investors. A walkway has been built in the city centre, the town has been cleaned up and its historic sites signposted. *Soon there will be two huge* 350,000 sq ft complexes of shops and parking, one in the centre of the city and the other just outside. These will turn the town into the shopping centre for the region. The real investment is probably nearly £1bn, and the number of jobs created about 1,000 more than the 6,000 mentioned.

*For all this, Mr Smy and oth*ers feel that the real breakthrough may only now be happening. So far the only big national name in the services sector to relocate in Exeter has been London and Manchester Assurance Company. The company moved in the 1970s and now employs 1,000. Compared with the big, well-known insurance companies it is a mere tiddler.

However, recently it was announced that Medical Sickness is to make its headquarters in or near Exeter. This should provide 400 jobs. The authorities are hoping this will have a knock-on effect. In the industrial sector the authorities are looking for small companies with 100 or fewer employees. This is what they can comfortably accommodate.

Mr Michael Wharton, the Industrial Development Officer for the county, says Devon was one of the places Toyota looked at before settling on Derby for its plant – "we had to be frank", Mr Wharton says, "and *tell them that they were just* too big for us. We didn't even have a big enough site, let alone everything else they would have needed."

With service companies, the authorities can afford to be more ambitious. Following Medical Sickness's decision, the county council is launching a drive to persuade civil service departments to relocate. A booklet listing all the advantages and details of available sites has been printed and all the Devon MPs have been lobbied.

Relocation case study

A moving success story for service companies

ONE company which has happily relocated in Exeter is London and Manchester Assurance. Indeed, the city authorities use it as the major success story in efforts to attract service companies.

The decision to move from London and Manchester was made in 1972. The rash of strikes in 1971 and 1972 meant that people were unable to get to work and the sales force was unable to do its job. Consul*tants specialising in relocation* were taken on and were given five criteria in looking for new headquarters.

- The town was to have reasonable access either to London or to Manchester;
- The town or city was not to be too big – Bristol, for instance, was deemed to be a microcosm of London with the same problems;
- There was to be a university;
- There was to be some cultural activities, for example, a theatre; and
- It was to be the kind of place to which some of the staff would want to move.

After a long search Exeter was the choice and L and M had some luck. It was at the time of the property crash, and before the big rise in inflation during the 1970s.

The company was able to buy a greenfield site of 46 acres for £300,000. It has subsequently bought a further 46 acres for £93,000, to protect its environment, and another *seven acres, including a grade* two listed country house, for £150,000.

The company's luck held during the the move when inflation had taken off. Its London and Manchester headquarters were sold at the top of the market.

Despite making the move almost for nothing, as it were, many people were unhappy about the change.

Mr David Jubb, who is now chief executive, says: "I didn't want to go. We'd lived in Wood Green outside London for 20 years. Our children were in schools, and we had lots of friends. My wife told me to look for another job.

"I recognised the good commercial reasons for the move but, personally, I didn't want to come." Many of his colleagues agreed. Less than 50 per cent of the management said they would move and only 20 per cent of the employees agreed to go.

The move gave the company a once-in-a-lifetime opportunity to shake out and reorganise its management. However, this is an advantage rarely mentioned

In retrospect, Mr Jubb sees *the fact that L and M moved* to a relatively remote and unfashionable location as enormously beneficial, because it gave the company a once-in-a-lifetime opportunity to shake out and reorganise its management. However, this is an advantage rarely mentioned in the literature designed to persuade companies to relocate.

Mr Jubb believes the company had become "stick in the mud". Many of the top managers were reaching retirement age, but would never have left if the company had stayed put. When L and M first relocated, it had 480 employees.

In the late 1970s the Labour government asked it to take over *an insolvent insurance* company, Welfare. "There was not a lot wrong with the company, actually. It had just been badly managed. It didn't cost us anything. The top management soon went and we were left with a number of good young middle managers," Mr Jubb says.

Of the present executive team of five, only one is from the old L and M – Mr Jubb. Two are from the old Welfare company and two were recruited locally. The company now employs just under 1,000 people.

Another advantage of relocating has been the reduction in staff turnover. Before moving to Exeter, the company had a 25-per cent staff turnover. "We used virtually to roll out the red carpet any time someone with one O level approached *us. Now* there is a staff turnover of only 5 per cent and this is usually when people have been promoted or are moving elsewhere," Mr Jubb says. The low staff turnover means that the savings in training costs are considerable.

One disadvantage, is the amount of travel required of some executives. Mr Jubb reckons that the travelling *is hard* on his marketing people, even with the new high-speed trains and the motorways. The company has to keep a presence in the north, *for obvious reasons.* Indeed, less than 10 per cent of the company's business is in the south-west. Most of the workforce is in the Exeter *region, however,* so travelling to the company's offices in Leeds and Manchester can be a chore.

"I wouldn't have wanted to move any further south. Plymouth would have been just that bit too far away," Mr Jubb says. However, balanced against the advantages of Exeter, the travelling is a relatively insignificant consideration. "It really does surprise me that more companies have not moved here", he concluded.

Stewart Dalby

National names appear in the business centre

Full financial service

AS Exeter and its surrounding *areas have grown in recent* years in line with the national economy and because of successful promotional campaigns, financial services groups have gathered like bees round the honeypot.

In the new business centre of Southernhay, consisting of about four streets almost literally in the shadow of the cathedral, old Georgian houses are displaying signs with familiar national names such as Allied Dunbar and Save and Prosper. The high street, as in so many flourishing provincial capitals, is now dominated by estate agents and building societies.

Mr David Gunn, of the solicitors Bond Pearce, believes that *apart from building societies,* the clearing banks, the accountants and the solicitors, there are about 12 "outlets", as he calls them, which can be broadly defined as financial services groups.

None of them appears to have set up as complete retail supermarkets. But between them they offer the whole range of financial services – investments, mortgages, commercial and residential, loans, secured and otherwise, and insurance. There are also two *stockbrokers in Exeter. Proba*bly the one kind of institution missing is a big venture capital concern, but 3i is said to be on its way.

It is perhaps useful to distinguish between companies running a national operation from Exeter and those with a presence because of the growing regional business. London and Manchester Assurance is the best known insurance company *in the area* and has run its national business from there since the 1970s. It is shortly to be joined by Medical Sickness.

Exeter Trust runs its national business from the outskirts of Exeter. It is recognised as a bank by the Bank of England and does take deposits.

However, the bulk of its business is commercial mortgages. It arranged loans worth £36m last year in amounts between £15,000 to £1m. Of these 233 were commercial, and 127 industrial. Thirty-nine were for nursing homes. Eight-five per cent of the total business was national.

The company made £2.4m profit in 1988. This year, business is slightly depressed because of the high interest rates, but Mr Martin Soman, the head of Exeter Trust, sees great scope for the company to expand on the 15 per cent of its business undertaken locally, both in its established business and in new areas.

There is restructuring in the tourist industry, investment in hotels and related businesses in Torbay, and there is a huge growth in nursing homes. In agriculture farmers are being urged to diversify and there has been a rapid increase in value added businesses.

Farming households are taking in tourists, or setting up speciality products such as cheeses and yoghurts. In addition, farmers are establishing vineyards and fish processing plants. All of these need financing.

As for new areas, Mr Soman *says the company has not* quite decided on its future direction, but he points to many new small companies setting up in electronics and other similar areas. Often they are management buyouts and usually they need pension schemes or advice on pensions.

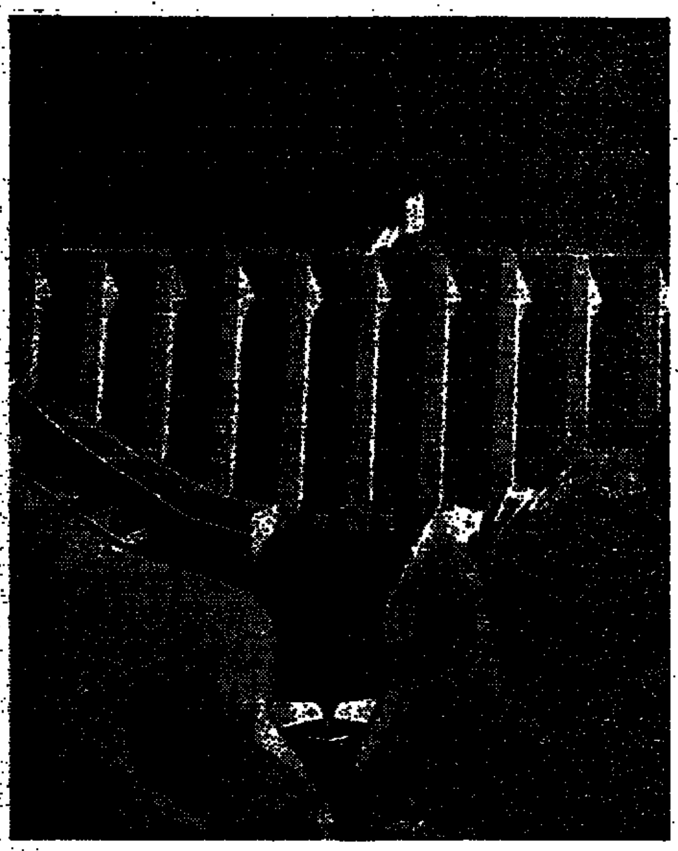
Mr Soman adds that one of *the company's associates* suggested there was considerable business among the large numbers well-off, elderly people retiring to the Torbay area. Personal Equity Plans and Business Expansion schemes are still only dimly understood locally, he says.

The growing importance of Exeter as a regional centre is reflected in the establishment in the city of more traditional professional service groups. Bond Pearce is a well known *firm of Plymouth solicitors* employing 240 people, including 31 partners. It opened offices in Exeter in 1985 and the office has tripled in size. There are now 54 employees, including 12 partners, in Exeter. Much of its work is in litigation, but it has a growing commercial section which takes in flotations, management buyouts and mergers.

The firm is also advising clients on the legal implications of the single European market in 1992.

Another firm of solicitors in Exeter is the Bristol-based Bevan Ashford. According to Mr Simon Prowse, the firm *established* an Exeter operation because its existing clients were growing bigger and many more potential clients were coming into the area. The firm has just drawn up its first Unlisted Securities Market prospectus. They are hoping that more of their clients will follow.

S.D.



■ Mr Keith Court, above, chairman of South West Water: on the environment front, SWW is the custodian of 14,000 acres of land and would also like to develop amenities around lakes.
■ Pictured, left, is the dam at Wimbleball Lake Water Park. The venue continues to grow in popularity as a place for family recreation, water sports, riding and fishing. Miles of bridlepaths surround the lake, offering views of the water, woods and farmland.

South West Water plans to exploit its liquid assets

Preparing for big decisions

THE FINAL touches are being made in the lonely countryside near the Cornish border, west of Okehampton, to what Mr Keith Court, chairman of South West Water, describes as "the only reservoir being built in Western Europe at the moment."

Roadford will begin to fill this autumn and when full in 1991, will contain just over 8bn gallons of water, serving north Devon, Plymouth and the Torbay area.

Mr Court, chairman and chief executive since August, 1987, explains that a reservoir such as Roadford is needed because demand for water throughout his area, which covers the whole of Devon and Cornwall, as well as parts of Somerset and Dorset, is rising by 2 per cent a year.

In Torbay alone, demand has recently grown by 7 per cent a year and in Plymouth by 5 per cent.

The authority is having to spend heavily to cater for this rise, which planners doubted when Roadford was at the discussion stage, a decade ago. There had been doubts about whether Roadford was needed on such a scale.

With associated infrastructure, it will cost £75m when completed, and is one of three reservoirs built to meet the needs of Devon's rising population and economic activity.

South West Water had fought for a big reservoir but the Government overruled the authority and it was only the hot summer and associated drought of 1984 that forced the Department of the Environment to accede to SWW's plans and give the go-ahead for the 8bn-gallon scheme.

Mr Court hopes to avoid such problems when SWW is floated as a private company in the Government's privatisation programme towards the end of this year. The authority will then become master of its own fate, and be able to make its own investment decisions.

SWW will become one of the largest private-sector companies in Devon, employing some 2,000 workers across its whole area and having a turnover in the last financial year of £102.9m.

Like the other nine water authorities being floated on the same day, SWW will face problems. The Government has left a legacy of issues which will need heavy capital spending — renewing the infrastructure, protection of the environment, and ensuring that beaches meet acceptable standards — but Mr Court welcomes the independence that flotation will bring.

"At the moment, Whitehall calls all the shots on capital spending," he says.

"We are part of the public sector, and what we do is reflected in the public sector borrowing requirement. This inevitably means stop-go since we are at the mercy of general government policy.

"For the past three to four years we have not been able to borrow money and we have had to pay back to the Treasury. Privatisation means we shall be released from these obligations. We shall in future be free to get the money we need at the time we need it from the private sector.

"We shall in future be recognised as the industrial business we are. We have over 600 sewage works and more than 40 water-treatment plants. We shall no longer be seen as an administrative operation but as one that adds value to a process."

SWW intends to introduce metering for its private customers (industrial concerns

After privatisation, South West Water will become one of the largest private-sector companies in Devon, with a turnover of more than £100m and employing some 2,000 workers

already pay this way). Mr Court has rejected the flat-rate system likely to be introduced elsewhere and opted for metering even though the capital cost — almost certain to be carried by the consumer — will be heavy. Meters need to be changed on average about every seven years.

"All new domestic consumers have been metered since April 1 this year," he says, "and for existing consumers it will be optional. But we shall 'encourage' them to switch to meters.

"In the interim, we will probably have a two-tier system which will be based on the size of the property and the number of people living in it."

The way is therefore open to innumerable complications, since in SWW's area there are any number of old properties which are second homes and therefore unoccupied for a large part of the year.

Mr Court hopes to tap some of the second-home owners as potential investors, but he will also have problems in assessing them for payment.

His main problems, though, concern the beaches and control of the environment.

Over the next four to five years, Mr Court expects to have to spend as much as £150m to bring the beaches up to acceptable standards.

All the water authorities are now having to face the bill for getting rid of the largely Victorian infrastructure which simply deposited raw sewage virtually at the point of high tide.

For South West Water, the problem is particularly acute. It has a third of the bathing beaches in England and Wales. Every summer, 6m visitors flock into Devon and Cornwall for their holidays and in Devon alone there are eight of the beaches castigated by the European Commission as health hazards, (with another nine in Cornwall).

SWW has identified 30 beaches as priority areas and admits others fall into a "risk" category.

"We have a lot of short Victorian outfalls," Mr Court admits. "Public expenditure controls prevented our doing much about these. Such money as we had went towards building resources and consequently there is a lot to be done."

On the environment front, Mr Court is an important custodian of land. SWW owns 14,000 acres, a third of it on Dartmoor within the National Park.

There, he is severely constrained by the tight planning rules on all new developments. There is little doubt, though, that South West Water would like to develop amenities around its lakes.

"We see water as a focal point. It is an attraction. The water itself can be used for greater activity, though we would want quiet activity."

The impression is dinghies rather than speedboats. But on chalets and other housing Mr Court speaks carefully, anxious not to upset the environmentalists, but apparently wanting to undertake some development.

"Any physical development we undertake would be distanced from the water," he comments. "Any housing would only be to support rambling, shooting or other countryside activities."

South West Water is clearly going to take a harder, more commercial approach to the question of development within its acres than it has been allowed to do until now.

This is something the environmentalists have feared and the industry has been keen to play down. There will be losers as well as winners after privatisation.

Anthony Moreton

AGRICULTURE

All change for dairy farmers

THE story of agriculture in Devon is, broadly, the increasingly familiar one in England's rural counties: harder times and belt-tightening as the quotas and price cuts imposed by the EC began to bite, and a certain amount of diversification in line with attempts by government and county authorities to move resources out of food production.

Devon is very much an agricultural county. In the mid-1980s some 10,000 people, 3 per cent of the county's labour force, were in farming. The total agricultural labour force, including farming households, stood at more than 26 per cent representing about 7 per cent of all employed and self-employed persons in the county.

On the basis of three to four allied jobs in manufacturing and services for every one directly employed in farming, it is probably not an exaggeration to say that agriculture accounted for between a quarter and a third of the workforce of 440,000.

Devon was arguably hit worse than other counties by the milk quotas imposed by the EC in 1984 because the county's agriculture is dominated by dairying.

Dr Joyce Halliday, of Exeter University, in her study* of the effect of milk quotas on milk-producing farms, estimates that 72 per cent of agricultural land in the county is under grass (excluding rough grazings) while the majority of the county's agricultural production (about 85 per cent of the value of standard output) comes from livestock.

She said: "Pertinently, the most important element in this grassland/livestock economy is dairying, an area which experienced considerable expansion between the 1930s and 1950s, following the introduction of organised milk marketing at the beginning of this period."

Her study examined dairy farmers in two areas of Devon, Honiton and Torrington. She concluded that the future for dairy farmers was far from universally bleak. Few wanted to leave the land, and some had done well under the quota regime. However, incomes, on average, had dropped, and farmers had been obliged to look for other means of surviving.

There has been something of a return to mixed farming, and under government and county level prompting, various kinds of diversification have taken place. In some counties, such as Norfolk and East Sussex, the authorities have taken a more lenient view of farmers wanting to convert derelict barns and outhouses into

Devon's farmers have been hit hard by the milk quotas imposed by the European Community

homes. Planning permission has been granted for the kinds of properties which once, during the days of high prices for farm products, would never have been considered suitable for conversion.

A certain amount of this kind of gentrification of farm buildings has taken place in Devon. But not as much as elsewhere, partly because the county has a larger percentage of tenant farmers than in other areas of England. There are a small number of large landowners (including the county council which has 200 farms).

Other kinds of changes have occurred in line with urging by government. Under the Alure banner (Alternative Land Use and the Rural Economy), the Ministry of Agriculture and Fisheries made proposals in the mid-1980s for assistance in areas like on-farm tourist accommodation and craft workshops, visitor attractions, recreation and amenity facilities, small-scale sporting facilities, on-farm value added food processing, farm shops, pick-your-own and pony trekking. The Ministry also proposed aid for converting farmland to woodland.

The Devon County Council, meanwhile, set up "Devon Fare", now Devon Fare Ltd, to try and encourage value added enterprises. Started in 1985, the organisation was funded by the county council, Food from Britain, and member subscriptions of £100 a year.

The county council has contributed £30,000 over three years, but is no longer involved financially.

The idea behind Devon Fare is that there would be an organisation to help with promotion and marketing for small businesses, which might not have the necessary finance.

A glance down the list of members reveals that there are 17 vineyards and companies with picturesque names, such as Sweet Success (makers and purveyors of quality desserts and superior savouries), Mrs Clarks Delicious Ducks, Devon Oak Smoked Foods, and Exe River Shellfish.

Mr Bill Holman, the rural development officer at the Devon County Council, who has been heavily involved in promoting Devon Fare, says it has 140 members, divided between 70 producer members and 70 users or conveyors. He claims that the enterprise has been a great success with some companies making a lot of money. At least half of the vineyards are showing a profit.

The successor to Devon Fare, Devon Ware, Mr Holman says is more of a "hit and miss" affair. "There have been problems with the scale of production, and the very wide range of business acumen," he said

Devon Ware aims to encourage and promote companies in ceramics and glassware, fine arts and prints, gifts, games and toys. It has about 50 members, not all of them flourishing.

As Mr Holman says, it is early days for Devon Ware. But were it to really take off, and even combined with Devon Fare, these initiatives only really scratch at the surface of the problem of diversification faced by the 3,000 registered milk-producers in Devon.

** The Effect of Milk Quotas on Milk Producing Farms: A study of Registered Milk Producers in the Honiton and Torrington Areas of Devon. Published by the University of Exeter in conjunction with the Devon County Council.*

Stewart Dalby

Anthony Moreton examines an enterprise set up to market the services of academic staff

University forges a closer link with industry

LIKE most universities, Exeter has had to come to terms with radical changes in government policy; like most of the others, it has looked for ways of finding new sources of finance and of working at the harder commercial interface.

Actual links between academia and industry have always been strong at Exeter, but they have traditionally been individual, perhaps almost informal. Members of the academic staff have long been accustomed to selling their services on a consultancy basis, though the opportunity for doing this has been stronger for the bio-technologist, say, than for the theologian.

Now, though, the university has made this university-industry link more formal with the setting up half a dozen years ago of Exeter Enterprises under Mr Tom Young.

Exeter has always been famed for its humanities though it has developed strongly in recent years in some technical subjects and almost half its undergraduates are now involved in non-arts courses.

Nevertheless, Mr Young, who came to the university with a background in the engineering industry, and his assistant, Mrs Diana Letcher, decided to use Exeter's depth in European studies to establish a base involving European languages and institutions.

By the end of this month it hopes to be chosen by the government as one of the European business information centres which are being developed and expanded.

Mr Young sees Exeter Enterprises as a "marriage broker" but now considers the company, wholly owned by the university yet a profit centre in its own right, is developing outwards.

"Because of the contacts we have made, we feel we can expand our function to include other areas. We held a conference earlier this year on the implications of the single European market in 1992, which proved what we could do.

"The philosophy behind the conference was that everyone has been tackling 1992 in an inappropriate way. Europe will not create wealth by cross-border selling. That wealth will only come when Europe itself goes abroad and sells.

"Selling to our neighbours within the Community is not enough. Europe has to sell outside and we want to help facilitate that change of direction," he says.

Exeter Enterprises' first contribution in this direction has been to create a link with British Columbia. The Canadian province has been identified as an area wanting to be more closely associated with Europe and with Britain's West Country in particular.

"Here, we're interested in technology transfer and joint venture projects," Mr Young says, "and we hope to assist British Columbian companies that are looking to enter the European market."

To further this link – "an umbilical cord" is how he describes it – Canadian officials have visited Exeter and, at the start of next month, Mr Young and Mrs Letcher are flying to Victoria, the provincial capital, before going on to Vancouver and other parts, where they will meet business leaders and chambers of commerce.

Exeter Enterprises is seen as a 'marriage broker' but now the company, wholly owned by the university, is developing outwards

Another factor which concerns Exeter Enterprises is the way in which developments within Europe are focusing on a band that sweeps from the north west of England through London and the Channel tunnel to Paris where it fans out, one part in an arm to Brussels and the Ruhr, another in a broad arc to Lyons and around Spain.

Such an activity band excludes western Britain. It also excludes western France and Exeter has forged close links with Brittany in particular to ensure that economic development does not by-pass their areas.

"We are forming strong ties with the Brittany chamber of commerce," Mr Young reports, "because we do not want to see our areas bypassed when developments take place."

The European links are not the only ones Mr Young is pursuing. The company is particularly involved in helping market the bio-technology work being undertaken in the university. Sometimes this can have an immediate effect on the south-west.

Professor John Bryant, for instance, is working on a project that can help produce frost-resistance in cauliflowers, something of particular interest to Cornwall, with its early-season produce. He is also working on improving tomato strains with the Italian industry.

A consortium, Biotechnology Southwest, is working on a range of cell culture technologies and there is a particularly strong interest in biotransformation, recycling of biological waster, generation of energy from biomass, diagnostic systems and microbial leaching.

Exeter is, in fact, co-operating closely with Kent and Warwick universities on biotransformation research, work which involves the use of whole-cell systems or enzymes for the conversion of relatively substrates into "synthons" for the production of potentially high-value products.

These products could be of immense interest to the pharmaceutical, agrochemical and similar industries.

Exeter University: coming to terms with radical changes in Government policy.

For the future Mr Young believes that joint ventures will be essential. He is also looking at ways of funding projects to give them a start in life. Exeter Enterprises is not – not yet, anyway – a big contributor to university finances.

It pays its way and produces a profit, but it does not earn a fraction of the £8m that a university like Salford earns from selling its services. It is, though, playing an important role, as the work of Professor Bryant illustrates, in helping develop the local economy, as well as featuring on a wider stage.

Road, rail and air communications have been greatly improved

Easy comings and goings

ONE OF the most important factors contributing to the improvement in the economy of Devon has been the ease with which people can get too and from the county.

Better air links, the M5 motorway and the high-class train service have all contributed – which makes it all the more surprising that the North Devon link road, seen by both local and national government as an essential cog in helping regenerate an often-overlooked part of the county, should be little short of inadequate.

The road is in the right place and goes to the right place. It begins at junction 27 on the M5, just south of Taunton, and is now complete for some 25 miles to the approaches to South Molton. It should have been finished, as far as Barnstaple, this summer, but it is running late and should now be ready by October, though an extension to Bideford is open.

But the road is neither what the transport operator nor the private driver wants or needs. It begins well enough with a dual carriageway which is akin to motorway standards as far as Tiverton. Thereafter, it is for the most part either a three- or two-lane carriageway.

Where it is two-lane, it can be dangerous, as the skid marks on the road already testify. Where it is three lanes, it can also be almost as dangerous because the road winds and dips and is frequently blind to on-coming traffic, encouraging drivers to take chances.

The road, in the short time since its opening, has already claimed one fatality and locals are drawing comparisons with the nearby Ilminster bypass on the A303 in Somerset, which has also been built as a single carriageway in each direction, and which has seen the deaths of three people.

With either slow vehicles (of which there are a lot) or heavy transport on the North Devon link road, traffic quickly builds up in long queues. Frustrations lead drivers to take high-risk chances. Accidents are inevitable.

The North Devon Link Road could turn out to be a false economy even though it is well used

Why the Government should have been so penny-pinching is difficult to understand; Tiverton has become a growth point. Barnstaple and Bideford have local industries that are growing. A considerable amount of holiday traffic will use the road to get to the off-the-beaten-track coastline of north Devon.

These areas, and the traffic they will generate, need a dual carriageway. The North Devon Link Road could turn out to be a false economy even though there is evidence that it is already being well used.

"To be frank," said one industrialist who preferred to remain anonymous, "the only thing you can say about the road is that it is an improvement on the old A361."

Railway communications are also under consideration. Exeter is now just a short ride from central London; the best trains do the journey in a matter of minutes over two hours into Paddington and, as British Rail has no plans to electrify this line, improvements on this sector will be marginal.

However, Exeter also has another link with London through east Devon, Dorset and Salisbury into Waterloo. The big increase in traffic on this line (as on the Paddington route where passengers complain bitterly of having to stand as far as Taunton, the first stop) is leading to fresh thoughts about what might be done to improve the service.

In the heyday of the Beeching axe, when lines were being abandoned all over the country, the Waterloo route to Exeter suffered not just investment cuts but also a high degree of neglect. Not only was much of the line reduced to a single route after Salisbury, with occasional passing places, but little was spent on what was left.

At one time the line beyond Salisbury was a candidate for closure. The big growth in passenger traffic has led to a rethink: British Rail is now involved in a feasibility study which is considering whether to put in new diesels, electrify part of the line or electrify the lot.

This line is never going to rival the main route into Paddington; Exeter to Waterloo through Salisbury is almost twice as long as the two hours to Paddington, but the line has to be seen as a community service between Exeter and Salisbury and, with the big extension of long-distance travelling, as a commuter service from southern Hampshire into London.

More importantly, perhaps, with the opening of the Channel tunnel, electrification would provide better access from the West Country into continental Europe, eliminating the need to change services for passengers between Paddington and Waterloo, the London terminus for the Chunnel. It would also mean a more direct route for freight traffic.

Air links from Exeter have also greatly improved. This summer, intercontinental flights to North America begin, which will allow not just a better service but also bring in new holiday-makers. Exeter airport is, according to Mr John Cousens, the director, one of the fastest-growing in Britain.

Anthony Moreton

Evidence of a boom

Continued from page 1

Sickness and by the development of light industry."

The political change was matched economically as the rest of Britain became aware of the region's advantages – its good communications with the rest of Britain, ample supply of high-quality labour (more people leave school with good qualifications than in any other part of the UK).

"People now realise this is a good place in which both to live and work," says Mr John Caff, the ex-CBI director who now runs the Devon and Cornwall Development Company, a private-sector body set up to help develop the area. "There is a willingness to invest here in new techniques."

John Heathcott, the textile company in Tiverton, proves that point. The company was languishing for years when it was part of the Coats Patons empire; since a management buy-out in 1984, the company has invested heavily in new textile technology, re-aligned its business and now employs some 600.

The fundamental reason for Devon's resurgence, though, lies elsewhere, in the crowded Home Counties of England. It is the realisation by companies in this crowded corner of Britain that expansion could be held up if they continued to operate in this high-cost area that has induced them to look elsewhere. The marketing being undertaken by Devon County Council, Exeter and other authorities has done the rest.

Medical Sickness has faced soaring rents and high labour turnover at its central London base. It looked at London and Manchester Insurance and saw that virtually the only turnover was when a member of the female staff left to have a baby. The Charity Commission, though it eventually chose Taunton, was reporting a turnover of 150 per cent last year in some clerical grades and 45 per cent among some of its executives.

Figures such as these are a powerful inducement to look elsewhere and it is likely that in the next few years a lot more companies will look to move out of the South East.

With its quick link to London and its good university – Exeter University had received 22,000 applications for 1,200 places by last December alone; half a year before the closing date – Mr Mike Wharton, of the county council's economic development unit, is convinced the region can expect to become the focus of more inward investment.

If that investment is to continue at a steady rate certain problems have to be overcome. Exeter itself is in danger of being strangled by its own traffic. A potential shortage of labour could emerge, too, within the city if many more newcomers arrive.

The Torbay area needs to develop a form of tourism that can compete with the costas if it is to continue as the English Riviera resort. Above all, industry needs to be persuaded it can do business in the north if places like Ilfracombe, Barnstaple, South Molton, Appledore and Bideford are to prosper as well.

Exeter and the heart of Devon are well placed to benefit from the growth of activity now taking place in large parts of southern Britain. It is well aware of what needs to be done and is taking steps to ensure it will be a top destination for inward investment.